6. RISK FACTORS

Investment in the Units involves a substantial degree of risk and should be regarded as speculative. As a result, the purchase of the Units should be considered only by persons who can reasonably afford a loss of their entire investment. Prospective investors should carefully consider, in addition to matters set forth elsewhere in this Memorandum, the following factors relating to the business of the Company and this offering. The order in which risk factors appear is not intended as an indication of the relative weight or importance thereof. Prospective investors should carefully review all risk factors. Such information is presented as of the date hereof and is subject to change without notice. The discussion in this Memorandum contains forward-looking statements that involve risks and uncertainties. Actual results may differ significantly from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below. The occurrence of any of these factors could materially and adversely affect the Company's results of operations or cash flow. Risks described herein that could affect KLC are also likely to be similar for other pre-K-12 businesses we may acquire or develop. Other businesses we acquire or develop in foreign countries or in different markets, may be subject to risks in addition to those discussed below.

6.1. Risks Related to Our Business

6.1.1 Risks associated with growth through acquisitions; potential inability to consummate transactions

A principal component of the Company's growth strategy is the acquisition of other businesses or interests therein that will complement and/or expand the Company's businesses and the products and services that they offer. The successful implementation of this strategy will depend upon a number of factors, including the ability to identify attractive acquisition opportunities, consummate such transactions on favorable terms and integrate the operations of the acquired businesses with those of the Company. Identifying, completing and realizing on attractive acquisitions are highly competitive and involves a high degree of uncertainty. The Company will be competing for acquisitions with other companies, private equity firms, as well as individuals and others, which often results in increased acquisition prices. There can be no assurance that the Company will be able to identify suitable acquisition opportunities or that if identified, the Company will be able to consummate such transactions on suitable terms, or that acquired businesses will perform as expected or generate returns.

In addition to risks facing education companies similar to those facing KLC as described herein, acquisitions of businesses also involve special risks, including risks associated with unanticipated liabilities and contingencies, diversion of Company management attention and possible adverse effects on earnings resulting from increased amortization of goodwill, increased interest costs, the issuance of additional securities and difficulties related to the integration of the acquired business. No assurance can be given as to the success of the Company in executing and integrating acquisitions in the future. The Company's failure or inability to successfully implement and manage its acquisition strategy would have a material adverse effect on the Company's financial condition, results of operations and business.

The Company may from time to time enter into negotiations in anticipation of consummating an acquisition transaction. However, there is no assurance that such negotiations will be successful and the diversion of management attention on such unsuccessful transactions may adversely affect management's ability to pursue other business opportunities.

In addition, KLC PropCo intends to acquire diversified real estate interests, including investments in non-education related properties. The performance of this acquisition strategy in general, or of any particular property, cannot be predicted.

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The initial closing of this offering will require a minimum investment (including the amount attributable to KUE LLC through conversion of its preferred limited partner units, including accrued dividends at the option of KUE LLC, into Common LP Units) of U.S. $280.0 million. There can be no assurance of additional closings after the initial closing of the offering, whether before the completion of the Offering Period on March 31, 2007 or thereafter. Unless there are subsequent closings or offerings, cash available for acquisitions and expansion would be limited to available cash of KLC and KUE and proceeds of future financings of KLC and KUE.

6.1.2 The Company plans to acquire or invest in non-U.S. companies. This international expansion strategy is untested, and may include acquisitions or developments in countries where for-profit education is not well established

Foreign acquisitions involve certain risks not typically associated with U.S. acquisitions, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the Company's non-U.S. interests are denominated, and costs associated with conversion from one currency into another; (ii) differences between the U.S. and foreign securities markets, including potential price volatility in and relative illiquidity of some foreign securities markets, the absence of uniform accounting and financial reporting standards and disclosure requirements and less governmental supervision and regulation; (iii) certain economic and political risks, including potential restrictions on foreign acquisition and repatriation of capital, and the risks of political, economic or social instability and the possibility of expropriation or confiscatory taxation; (iv) the possible imposition of foreign taxes on income and gains; and (v) differences in applicable legal systems, including the possibility that the Company may experience difficulty in asserting legal claims or obtaining legal remedies against sellers of businesses in foreign jurisdictions.

The Company's prior operating history is limited to its U.S.-based businesses. Historical results may not be indicative of future performance outside the U.S. The Company's non-U.S. businesses may operate in countries in which the legal and regulatory frameworks, customary business models, education practices and philosophies and political and social norms are substantially different from those in the U.S. International expansion may also involve significant market risks, and opportunities to realize synergies may be limited. There can be no assurance that the Company will be successful in its international expansion strategy.

In addition, the Company may acquire businesses or pursue business development opportunities in countries where for-profit education is not well-established, which may involve greater risks than those associated with similar U.S. acquisitions and developments. For example, the performance of a for-profit education company located in a country where for-profit education is in an embryonic stage may be volatile. Such a company also may be unable to achieve the growth or success achieved by education businesses in countries, such as the U.S., where for-profit education is more established. In addition, there can be no assurance that for-profit education will ever become well-established or maintain viability in any given country. If any of the above events occur, the Company may suffer a partial or total loss of capital invested in that business or development.

6.1.3 The Company's success depends on its ability to attract and retain skilled employees

The success of the Company will depend in part on continued employment of senior management and other key personnel, particularly the Principals. See the discussion under the heading "The Company may not engage in certain businesses" below. If one or more senior management or key personnel become unable or unwilling to continue in their present positions, the business and operations of the Company would be disrupted.

The success of the Company also depends on attracting and retaining highly trained financial, marketing and other personnel. The Company will need to continue to hire additional personnel as its business grows. The market for hiring such personnel is competitive and hiring such personnel may require increased salaries and enhanced benefits under certain circumstances. A shortage in the number of

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skilled personnel could limit the ability of the Company to increase sales of existing products and services and launch new product offerings.

6.1.4 The Company has significant leverage, and expects to incur additional debt, which could result in adverse effects on its financial condition

The Company has significant leverage and expects to incur additional debt in connection with the acquisition and operation of its businesses. Although the Company intends to use leverage in a manner it believes to be prudent, the leveraged capital structure the Company plans to utilize may significantly increase the Company's exposure to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the businesses or their respective industries. If a business cannot generate adequate cash flow to meet debt obligations, the Company may suffer a partial or total loss of capital invested in such business.

The Company's ability to service its substantial indebtedness, and meet its other obligations depends on its future performance, which will be affected by financial, business, economic and other factors, many of which are outside the Company's control. The Company cannot be certain that its cash flow will be sufficient for such purposes. If the Company does not have enough liquidity, it may be required to refinance all or part of its existing debt, sell assets or borrow more money. The Company cannot guarantee that it will be able to do so on favorable terms, if at all. In addition, the terms of existing or future debt agreements, may restrict the Company from pursuing any of these alternatives.

The substantial level of indebtedness incurred by the Company may have the following consequences of potential concern to investors in the Company:

- The Company must use a substantial portion of its cash flow from operations to pay interest and principal on its indebtedness, which reduces the funds available for other business purposes such as capital expenditures;
- The Company's ability to obtain additional financing for working capital, capital expenditures, acquisitions or general corporate purposes may be impaired;
- The Company may be limited in its ability to borrow additional funds;
- The Company may have a higher level of indebtedness than some of its competitors, which may put it at a competitive disadvantage and reduce its flexibility in planning for, or responding to, changing conditions in its industry, including increased competition; and
- The Company may be more vulnerable to economic downturns and adverse developments than it would without the leverage.

Adverse developments in the Company's financial condition would have adverse effects upon the business and results of the Company as a whole.

6.1.5 The Company faces intense competition in the early childhood care and education services industry from numerous other types of providers

The early childhood care and education services industry is competitive and highly fragmented. The most important competitive factors generally are quality, convenience and, to a lesser extent, price. The Company's, specifically KLC OpCo's, competition in this industry consists principally of:

- other for-profit, center-based child care providers, including franchise organizations;
- preschool, kindergarten and before and after school programs provided by public schools;

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- local nursery schools and child care centers, including church-affiliated and other non-profit centers;
- providers of child care services that operate out of homes; and
- substitutes for group child care, such as relatives, nannies and stay-at-home parents.

In many markets, the Company faces competition from preschool services and before and after school programs offered by public schools that provide such services at little or no cost to parents. The number of school districts offering these services is growing, and we expect increased competition from such services in the future. In addition, local nursery schools, child care centers and in-home providers generally charge less for their services than the Company. Many denominational and other non-profit child care centers have lower operating expenses than the Company and may receive donations and/or other funding to subsidize operating expenses. Consequently, operators of such centers often charge lower tuition rates than us. Moreover, fees for home-based care are normally substantially lower than fees for center-based care.

6.1.6 The Company may acquire companies that are not well-established or are experiencing financial difficulties

The Company may acquire less established companies. Acquisitions of interests in such companies may involve greater risks than are generally associated with acquisitions of more established or stable companies. For example, such companies may have shorter operating histories on which to predict future performance and may have negative cash flow. Their performance may be more volatile and they may be unable to sustain the growth rates or success achieved by established companies. In the case of start-up enterprises, such companies may not have significant or any operating revenues. Such companies also may have a lower capitalization and fewer resources (including cash) and may be more vulnerable to failure, resulting in the loss of the Company's entire investment in such company. In addition, less mature companies could be more susceptible to irregular accounting or other fraudulent practices. In such event, the Company may suffer a partial or total loss of capital invested in that company.

The Company has invested in troubled companies in the past, and may make future investments in companies that are experiencing, or are expected to experience, financial difficulties. If such difficulties are not overcome, the Company may lose part or all of any equity investment in such companies.

6.1.7 KUE will rely on the management teams of its subsidiaries

While KUE will retain overall control and set the strategic direction of the Company, day-to-day operations at the subsidiary level will be the responsibility of the management teams at the subsidiary level. There can be no assurance that the existing management teams, or any successor, of any acquired business will be able to operate such business in accordance with KUE's plans and/or objectives.

6.1.8 The Company has a non-controlling interest in *k*12 with limited rights as a shareholder and may acquire minority interests in other entities

The Company holds a non-controlling interest in *k*12 and may in the future acquire minority interests in other companies. Holding a minority interest limits the Company's ability to protect its interests in and to influence management of *k*12. Any future investments in minority interests of other companies will likely involve similar limitations.

In addition, the Company may co-acquire interests in businesses or develop businesses with third parties through joint ventures or other entities, which may have larger or controlling ownership interests in such companies. In such cases, the Company will rely significantly on the existing management and boards of directors of such companies, which may include representatives of other investors with whom the Company is not affiliated and whose interests may at times conflict with the interests of the Company.

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Such interests may involve risks in connection with such third-party involvement, including the possibility that a third-party may be in a position to take (or block) action in a manner contrary to the Company's objectives or may have financial difficulties resulting in a negative impact on such interest. Acquisitions made with third parties in joint ventures or other entities also may involve carried interests and/or other fees payable to such third party partners or co-venturers. There can be no assurance that desirable minority shareholder rights will be available or that such rights will provide sufficient protection of the Company's interests.

6.1.9 Certain of the Company's businesses may require additional capital

Certain of the Company's businesses, especially those in development phases, may require additional financing to satisfy their working capital requirements. The amount of the additional financing needed will depend upon the maturity and objectives of the particular business. The Company may seek to raise any required capital from different sources, and subsidiaries in foreign countries may raise capital locally. The availability of capital is generally a function of capital market conditions that are beyond the control of the Company. There can be no assurance that the Company will be able to predict accurately the future capital requirements necessary for success or that additional funds will be available from any source as needed. An inability to timely raise capital may materially and adversely affect the Company and/or its business.

6.1.10 KUE's subsidiaries operate in regulated industries; failure to comply with governmental regulation and licensing requirements could have a material adverse effect on operations

The pre-K-12 education business is highly regulated and is often subsidized with government funding or reimbursement programs. In addition, KUE and its subsidiaries may require the consent or approval of applicable regulatory authorities in order to acquire or operate particular businesses, including in foreign jurisdictions where the Company has limited or no experience with the regulatory framework. Failure to comply with applicable laws or regulations, or failure or inability to obtain applicable approvals, could have a material adverse effect on the operations of KUE and/or its subsidiaries.

For example, KLC's centers and school programs are subject to numerous state and local regulations and licensing requirements. KLC has policies and procedures in place to assist in complying with such regulations and requirements. Although these regulations vary from jurisdiction to jurisdiction, government agencies generally review, among other things, the fitness and adequacy of buildings and equipment, the ratio of staff personnel to enrolled children, staff training, record keeping, children's dietary program, the daily curriculum, and compliance with health and safety standards and transportation safety. In most jurisdictions, these agencies conduct scheduled and unscheduled inspections of the centers and licenses must be renewed periodically. Most jurisdictions establish requirements for background checks or other clearance procedures for new employees of child care centers and school programs. Repeated failures by any of KLC's centers to comply with applicable regulations may result in sanctions against that center or program and other centers or programs in the same jurisdiction, including probation or, in more serious cases, suspension or revocation of a center's or program's license to operate. In addition, this type of action could attract negative publicity extending beyond that jurisdiction.

A licensing authority may determine that a particular center or program is in violation of applicable regulations and may take action against that center or program and possibly other centers or programs in the same jurisdiction. For more information, see "The Operating Company (KLC OpCo) – Licensing and Government Regulation."

6.1.11 Future legislation or new regulations may place additional burdens on the Company and have a material adverse effect on operations

Additional, different and/or more stringent regulations and licensing requirements may become applicable in the future due to changes in laws and regulations, judicial or administrative interpretations of existing laws and regulations, changes in the Company's business strategy or for other reasons. State authorities

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routinely review the adequacy of regulatory and licensing requirements and may implement changes that significantly increase operating costs. For example, a change in the required ratio of child center staff personnel to enrolled children in a certain jurisdiction could increase KLC center or program staff operating expenses in that jurisdiction and therefore have a material adverse effect on KLC's operations.

There can be no assurance that the Company will be able to (i) obtain all required regulatory approvals that it does not yet have or that it may require in the future; (ii) obtain any necessary modifications to existing regulatory approvals; or (iii) maintain required regulatory approvals. Delay in obtaining or failure to obtain and maintain in full force and effect any regulatory approvals, or amendments thereto, or delay or failure to satisfy any regulatory conditions or other applicable requirements, could prevent operation of the facility or sales to third parties, or could result in additional costs to the Company.

6.1.12 Conflicts of interest may arise with the Principals and their affiliates

The Principals will agree (on behalf of themselves and their affiliates) that KUE will be their exclusive vehicle for equity investment opportunities in and acquisitions of for-profit companies engaged primarily in the business of pre-K through 12th grade education of children (other than companies in which the Principals or their affiliates directly or indirectly owns fifteen percent (15%) or more of the voting stock (or similar voting interests) as of the date of the first closing of the offering, which are LeapFrog Enterprises, Inc. and Nobel Learning Communities, Inc.). The Principals will not acquire or make an equity investment in such companies unless such acquisition or investment opportunity has been first presented to the Independent Committee and subsequently declined by the Independent Committee or initially pursued but later abandoned by KUE. See "The Structure of KUE and the General Partner – Investment in Subsidiaries and Joint Ventures." In addition, existing companies in which KULG and/or its principals are investors along with other unrelated investors may invest in or acquire companies involved in areas relating to education.

Following the consummation of the offering, the Principals will control the General Partner other than with respect to certain actions requiring Investor approval as further described in "The Structure of KUE and the General Partner." Conflicts could emerge between the Principals and the Company in the future, including conflicts due to the other business segments in which the Principals may have interests, separate from the Company. In addition, affiliates of the Principals will have certain financial interests in KUE and certain of its subsidiaries as described in "Related Party Transactions" following the consummation of the offering independent of their ownership of the Units, which may present conflicts of interest.

Certain other potential conflicts of interest include:

- Other activities of management – the Principals and other senior management personnel of the Company are subject to a variety of prior and continuing obligations unrelated to the Company. Accordingly, conflicts may arise in the allocation of management time and resources.

- Lack of separate counsel for Investors – no separate counsel has been engaged by the Company to act on behalf of Investors in the Company.

- For a description of existing arrangements between the Company and its affiliates, see "Related Party Transactions."

- For a description of certain restrictions on one of the Principals and the Company, see "The Company may not engage in certain businesses" below.

By acquiring an interest in the Company, each Investor will be deemed to have acknowledged the existence of any such actual or potential conflicts of interest and to have waived any claim with respect to any liability arising from the existence of any such conflict of interest.

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6.1.13 The Company may not engage in certain businesses

On February 24, 1998, without admitting or denying liability, Michael R. Milken consented to the entry of a final judgment in the U.S. District Court for the Southern District of New York in Securities and Exchange Commission v. Michael R. Milken et al., which judgment was entered on February 26, 1998 restraining and enjoining Michael Milken from associating with any broker, dealer, investment advisor, investment company or municipal securities dealer, and from violating Section 15(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). On March 11, 1991, in the action entitled In the Matter of Michael R. Milken, the SEC instituted a proceeding pursuant to Section 15(b)(6) of the Exchange Act and ordered that Michael Milken be barred from association with any broker, dealer, investment advisor, investment company or municipal securities dealer. On April 24, 1990, concurrently with a plea agreement covering criminal violations of federal securities laws, Michael Milken also consented, without admitting or denying liability, to the entry of a final judgment in the U.S. District Court for the Southern District of New York in the civil action entitled Securities and Exchange Commission v. Drexel Burnham Lambert Incorporated, et al., restraining and enjoining Michael Milken from engaging in transactions, acts, practices and courses of business which constitute or would constitute violations of, or which aid and abet or would aid and abet violations of, Sections 7(c), 7(f), 9(a)(2), 10(b), 13(d), 14(e), 15(c)(3) and 17(a)(1) of the Exchange Act, and Regulations T and X and Rules 10b-5, 10b-6, 13d-1, 13d-2, 14e-3, 15c3-1, 17a-3 and 17a-4 promulgated thereunder, and Section 17(a) of the Securities Act.

The Company cannot be in the business of or associated with a broker, dealer, investment company, investment advisor, or municipal securities dealer (collectively, "prohibited businesses"). As a result, the Company cannot pursue any acquisitions or investments that may have the effect of the Company being in any prohibited business. This could adversely affect the Company's ability to make and/or hold investments or acquisitions which may otherwise be consistent with its business objectives.

6.1.14 Litigation and adverse publicity concerning alleged incidents at KLC or other child care centers could hurt KLC's reputation

KLC is subject to claims and litigation arising in the ordinary course of business, including claims and litigation involving allegations of physical or sexual abuse of children. Any such allegations, claims or lawsuits, either individually or in the aggregate, may have a material adverse effect on KLC OpCo's financial position, operating results or cash flows.

Personal trust and parent referrals play a key role in the child care business. KLC believes its success is directly related to its reputation and favorable brand identity. KLC is periodically subject to claims and litigation alleging negligence, inadequate supervision and other grounds for liability arising from injuries or other harm to children. In addition, claimants may seek damages from KLC for child abuse, sexual abuse or other criminal acts arising out of alleged incidents at KLC's centers. There are lengthy statute of limitations periods applicable to child abuse and personal injury claims. Such claims may typically be brought until a number of years after a claimant reaches the age of majority. Any adverse publicity concerning such incidents at one of KLC's child care centers, or child care centers generally, could greatly damage KLC's reputation and could have an adverse effect on occupancy levels at KLC's centers.

6.1.15 KLC's insurance policies may be inadequate to cover claims, and KLC may be unable to maintain existing coverage in the future at reasonable prices

Some operators of child care centers have experienced difficulty obtaining general liability insurance or other liability insurance that covers child abuse. KLC maintains insurance policies to protect against relevant liability exposures in amounts KLC considers to be appropriate. In addition, KLC's owned centers are covered by blanket insurance policies, including property insurance. Although KLC has not historically had to pay any claims exceeding its coverage, claims in excess of, or not included within, its coverage may be asserted. To the extent that any claims are not covered by insurance, KLC will be forced to cover the associated costs itself, which will reduce the amount of cash KLC has available for other business purposes.

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Insurance premiums have increased significantly in the past and may increase in the future because of market conditions in the insurance business generally, conditions in the child care industry more particularly or KLC's situation specifically. KLC cannot be certain of the cost or coverage it will obtain with replacements of existing policies, which will depend on the factors described above.

6.1.16 Factors beyond the Company's control, such as economic conditions, may adversely affect the demand for child care services

Demand for child care services is subject to fluctuations in general economic conditions, and the Company's revenues depend, in part, on the number of working mothers and working single parents who require child care services. Recessionary pressure on the economy, and a consequent reduction in the general labor force, may adversely impact the Company because out-of-work parents tend to stop using child care services. In addition, certain demographic trends which are favorable to the Company's business, including the increasing percentage of mothers in the workforce and the growth in population of children of the age needing child care, as well as trends in the preference of working parents and employers for center based child care, may not continue. Other factors beyond the Company's control could adversely affect demand, such as terrorism, natural disasters and epidemics.

Children attending KLC's facilities are generally enrolled on a weekly basis. Accordingly, any change in economic conditions or other external factors affecting demand will impact us more quickly than businesses with longer contractual periods.

6.1.17 A loss or reduction of government funding for child care assistance programs or food reimbursement programs could adversely affect KLC

Federal and state child care assistance programs accounted for approximately 20% of KLC's revenues during the one year period ended December 31, 2005. These funds are primarily from the Child Care and Development Block Grant and At Risk Programs, which are designed to assist low-income families with child care expenses and are administered through various state agencies. Although additional funding for child care may be available for low income families as part of welfare reform and the reauthorization of the Child Care and Development Block Grant and At Risk Programs, KLC may not benefit from any such additional funding.

KLC is eligible to participate in the Child and Adult Care Food Program, or CACFP, which provides reimbursement for meals and snacks that meet certain USDA approved nutritional guidelines. Centers can qualify to participate in the CACFP by meeting one of two tests: 25% or more of the enrolled students receive child care assistance funding or 25% or more of the center's customers have household incomes that are at or below state specified income levels. Reimbursement is calculated based on the percentage of the center's customers that fall into a "free" or "reduced" income category established by the state.

Federal or state child care assistance programs may not continue to be funded at current levels, particularly with large budget deficits putting pressure on discretionary spending programs. In addition, many states have recently experienced fiscal problems and have reduced or may in the future reduce spending on social services. A termination or reduction in funding of child care assistance programs could have a material adverse effect on KLC's business.

Adverse changes to the national or local economies may result in an increase in the number of families eligible for child care assistance. In order to compensate for such increases, state or local governments have in the past, and may in the future, increased parent co-payments required under such programs or change the eligibility requirements to reduce the number of families eligible to participate in such programs. An increase in the required parent co-payments may discourage parents from sending their children to KLC's centers. An increase in required parent co-payments also increases KLC's exposure to the risk of non-payment by these parents.

In addition, states which reduce funding for child care may be unable to qualify to receive funds under the Temporary Assistance for Needy Families, or TANF, program. Such states may utilize funds under the

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Child Care and Development Block Grant to provide child care assistance to needy families in lieu of TANF funds, thereby reducing the amount of funds available to other families, including families that utilize KLC's child care centers.

6.1.18 A termination or reduction of tax credits for child care could have a material adverse effect on KLC's business

KLC may enjoy heightened demand for its services because of tax incentives for child care programs. Section 21 of the Internal Revenue Code of 1986, as amended (referred to herein as the "Code"), provides a federal income tax credit ranging from 20% to 35% of specified child care expenses with maximum eligible expenses of $3,000 for one child and $6,000 for two or more children. The fees paid to KLC by eligible taxpayers for child care services qualify for these tax credits, subject to the limitations of Section 21 of the Code. However, these tax incentives are subject to change.

Code Section 45F provides incentives to employers to offset costs related to employer provided child care facilities. Costs related to (a) acquiring or constructing property used as a qualified child care center, (b) operating an existing child care center, or (c) contracting with an independent child care operator to care for the children of the taxpayer's employees will qualify for the credit. The credit amount is 25% of the qualified costs. An additional credit of 10% of qualified expenses for child care resource and referral services has also been enacted. The maximum credit available for any taxpayer is $150,000 per tax year.

Many states offer tax credits in addition to the federal credits discussed above. Credit programs vary by state and may apply to both the individual taxpayer and the employer. A termination or reduction of such tax credits could have a material adverse effect on KLC's business.

6.1.19 Material weaknesses in KLC's internal controls were discovered during KLC's 2005 audit

For a discussion of certain material weaknesses in KLC's internal controls discovered in KLC's 2005 audit, see "KLC: Management's Discussion and Analysis of Financial Condition and Results of Operations for the Fiscal Years Ended 2005, 2004 and 2003" in Appendix B. To address these issues, and as part of the Company's growth plan, KLC is increasing expenditures on IT systems and accounting and IT personnel.

6.1.20 If KLC is unable to attract and retain sufficient numbers of qualified employees, if minimum wage rates increase or if KLC's employees unionize, KLC's results of operations may be adversely affected

KLC believes that its success is largely dependent on its ability to attract and retain qualified employees. Many of KLC's child care center staff are entry level wage earning employees, and turnover in this industry has traditionally been significant. If KLC is unable to hire or retain sufficient numbers of qualified employees (particularly center directors and supervising employees) or are only able to hire or retain such employees by providing significantly greater salaries, wages and benefits than KLC currently does as a result of increases in the federal or state minimum wage rates or other market conditions, KLC's operations may be adversely affected.

Since early 1998, union organization efforts in the child care industry have received considerable publicity. While union officials associated with the American Federation of State, County and Municipal Employees and Service Employees International have repeatedly announced their intention to engage in a nation-wide effort to organize child care workers, organization efforts have been focused on government-funded providers. To date, efforts to organize employees of for-profit providers have been minimal. However, organizational efforts may occur and, if successful, could have an adverse effect on KLC's relationships with employees and KLC's labor costs. In addition, the general publicity surrounding such efforts, even if not focused on KLC's centers, could result in increased wages for child care workers and, as a result, increase KLC's labor costs.

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6.1.21 Because KLC (through KLC PropCo) owns or leases a substantial number of real properties, and expects to invest in additional properties, results of operations could be adversely affected if environmental contamination is discovered on any of the properties

KLC is subject to U.S. federal, state and local environmental laws, regulations and ordinances that may impose liability for damages resulting from past spills, disposals and other releases of hazardous substances as well as clean up costs. In particular, under applicable environmental laws, KLC may be responsible for investigating and remediating environmental conditions and may be subject to associated liability, including lawsuits brought by private litigants, relating to KLC's properties. These obligations could arise whether KLC owns or leases the property at issue and regardless of whether the environmental conditions were created by KLC or by a prior owner or tenant. Environmental conditions unknown to KLC at this time relating to prior, existing or future properties may be discovered and may have a material adverse effect on KLC's results of operations.

6.1.22 KUE has a limited history

While certain subsidiaries of KUE have a financial and an operating history, KUE has only recently been organized and has relatively little financial or operating history upon which prospective investors may evaluate its performance, and has not prepared separate or consolidated financial statements. The prior performance of the subsidiaries of KUE described herein may not be indicative of the future results of the Company.

6.2. Tax Risks

6.2.1 Certain tax considerations generally applicable to Investors subject to U.S. tax liability

KUE is expected to be treated as a partnership for U.S. federal income tax purposes. Each Investor that is subject to U.S. federal income tax liability will take into account its allocable share of items of income, gain, loss, deduction, and credit of KUE (as determined under the Limited Partnership Agreement), without regard to whether it has received distributions from KUE. As a result, the tax liability to an Investor resulting from such allocation may exceed the cash distributions made by KUE to the Investor. Further, upon the sale of its Common LP Units, an Investor may, depending on the amount of Company debt, if any, and the Investor's adjusted tax basis, incur a tax liability in excess of the amount of cash received.

The U.S. Internal Revenue Service (the "IRS"), or other taxing authority may challenge the manner in which income, gains, losses and deductions are allocated to holders of Common LP Units, the General Partner and holders of the Profits Participation LP Units under the Limited Partnership Agreement. For U.S. federal income tax purposes, allocation of any item of income, gain, loss or deduction to a partner in a partnership will be given effect so long as the allocation has "substantial economic effect," or is otherwise in accordance with the partner's interest in the partnership. If an allocation of an item pursuant to the Limited Partnership Agreement does not satisfy this standard or is deemed not to satisfy this standard by the IRS, it will be reallocated by the IRS among the Partners on the basis of their respective interests in KUE (as determined by the IRS), taking into account all facts and circumstances. In such a case, Investors could have additional tax liabilities or suffer adverse tax consequences.

An investment in KUE will give rise to a variety of complex U.S. federal income tax and other tax issues for Investors. Certain of those issues may relate to special rules applicable to certain types of Investors subject to U.S. tax, such as tax-exempt entities, foundations, life insurance companies, banks, dealers, in securities, U.S. persons who own 10% or more of KUE and non-U.S. persons and entities. Prospective Investors are urged to consult their tax advisors with specific reference to their situations concerning an investment in KUE.

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6.2.2 Tax-Exempt and Non-U.S. Investors may become subject to U.S. Tax

KUE business activities could generate income that will be taxable to certain otherwise tax-exempt Investors as "unrelated business taxable income." Although, under the Limited Partnership Agreement, the General Partner is required to use its reasonable best efforts not to engage in, or invest in (other than through an entity that is not a pass-through entity) a pass-through entity that engages in, any activity which constitutes the conduct of a trade or business in the United States and generates income which constitutes "effectively connected income" in the hands of the non-U.S. Investors that own Common LP Units, it is possible that some of KUE's business activities and acquisitions could generate income that is "effectively connected" with a U.S. trade or business which could create U.S. federal income tax reporting, tax liability, and tax withholding for non-U.S. Investors. Additionally, KUE believes that neither KUE nor its subsidiaries is currently a U.S. Real Property Holding Corporation ("USRPHC") for U.S. federal income tax purposes. However, no assurances can be given in this regard. Furthermore, it is possible that in the future KUE and/or its subsidiaries may become a USRPHC if, for example, the value of the U.S. real estate holdings of KUE or such subsidiary increases sufficiently. A disposition of an interest in a USRPHC could create gain for non-U.S. Investors which would be treated as if the non-U.S. Investor were engaged in a trade or business within the U.S. and as if such gain were effectively connected with such trade or business. This would create U.S. federal income tax reporting, tax liability and withholding for non-U.S. Investors. Investors that are non-U.S. persons are urged to consult their tax advisors regarding the potential application of the USRPHC rules to their investment in KUE.

6.2.3 Investors may become subject to taxation in non-U.S. jurisdictions

KUE expects to make investments in jurisdictions outside of the U.S., and KUE, its subsidiaries and/or the Investors may be subject to income or other tax in those jurisdictions. In addition, local tax incurred in non-U.S. jurisdictions by KUE or subsidiaries through which it invests may not entitle Investors to either (i) a credit against tax that may be owed in the U.S. or their respective local tax jurisdictions, or (ii) a deduction against income taxable in the U.S. or such local jurisdictions by the Investors.

6.2.4 Controlled Foreign Corporations

KUE anticipates that it and/or its subsidiaries will invest in non-U.S. operations. Depending upon the percentage of ownership of such operations by KUE and its subsidiaries and the type of legal entity chosen for such operations, these non-U.S. operations could be classified as a Controlled Foreign Corporation ("CFC") for U.S. federal income tax purposes. If an entity is classified as a CFC, certain types of income could be taxable to U.S. persons owning 10% or more of KUE for U.S. income tax purposes, even if no distributions of cash are made from such entity, and gain from the disposition of such entity would be taxed as if it were a dividend to the extent of such entity's earnings and profits, rather than as a capital gain, for U.S. income tax purposes.

6.2.5 Treatment of KUE as a U.S. Entity

Under the Code, certain non-U.S corporations may be treated as U.S. corporations for U.S. federal income tax purposes, thereby subjecting such non-U.S. corporations to U.S. federal income tax on their income. Recently enacted U.S. tax legislation includes one such provision. Under this legislation, referred to as the anti-inversion legislation, non-U.S. corporations that acquire interests in a U.S. corporation or partnership and meet certain ownership, operational and other tests may be treated as U.S. corporations for federal income tax purposes. The legislation grants broad regulatory authority to the U.S. Secretary of Treasury to provide such regulations as may be appropriate to determine whether a non-U.S. corporation is treated as a U.S. corporation or as are necessary to carry out the intent of the provision, including adjusting its application as necessary to prevent the avoidance of its purpose. Recently issued Treasury regulations provide that the anti-inversion legislation is applicable to a foreign partnership that is or becomes a "publicly traded partnership" within two years of the acquisition by it of a U.S. corporation. A "publicly traded partnership" is any partnership (i) interests in which are traded on an established securities market, or (ii) interests in which are readily tradable on a secondary market (or the substantial equivalent thereof). KUE believes that it is not currently a publicly traded partnership and does not intend

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to become a publicly traded partnership within two years of this offering or the acquisition of KLC and *k*12. As a result, KUE does not believe the anti-inversion legislation or any regulations promulgated within the scope of the legislation's regulatory authority should apply to KUE although no assurance can be given in this regard or with respect to any new acquisitions of or investments in U.S. corporations. In addition, KUE does not believe that any other Code provision subjecting non-U.S. corporations to U.S. federal income tax should apply to KUE or its subsidiaries, although no assurance can be in this regards. The promulgation of contrary regulations or a successful challenge of either of these positions by the Internal Revenue Service could materially reduce a holder's after-tax return and, thus, could result in a substantial reduction of the value of the Units.

6.2.6 Currency Fluctuations

An investment in KUE is a U.S. dollar denominated investment. Contributions to and distributions from KUE will be made in U.S. dollars. Fluctuations in value between the U.S. dollar and the Investor's functional currency (if other than the U.S. dollar) may result in taxable income to the Investor.

6.2.7 Reporting Requirements

Investors who are U.S. Persons will be required to file an IRS Form 8865 with the Investor's U.S. federal income tax return for the taxable year in which the Investor purchases the Common LP Units. Investors who are U.S. Persons may, depending upon the size of their investment in the General Partner, be required to file an IRS Form 5471 with the Investor's U.S. federal income tax return for the taxable year in which the Investor purchases Class A ordinary shares in the General Partner. Additionally, depending on the type of non-U.S. investments KUE makes, Investors who are U.S. Persons may be required to file additional IRS Forms such as a Form 5471 in subsequent years.

6.3. Risks Related to Projections

6.3.1 The projections included in this Memorandum and otherwise provided to potential Investors are subject to a number of assumptions and uncertainties; potential Investors are cautioned not to place undue reliance on such projections

The projections included in this Memorandum and other models and forecasts that may be presented to or discussed with Investors represent management's best estimates as of the date of this Memorandum of KLC's, KLC OpCo's and KLC PropCo's projected results of operations for the years ended December 31, 2006 to 2011 (the "Projections"). The Projections were not prepared with a view toward compliance with published guidelines of the SEC, the American Institute of Certified Public Accountants, or any regulatory or professional agency or body or generally accepted accounting principles of the U.S. or any other country. In addition, neither the Agents, Deloitte & Touche LLP, the Company's independent auditors, nor any other independent expert, accountant or counsel has examined, reviewed or compiled the Projections and, consequently, assume no responsibility for them. The Projections should be read together with, and are qualified in their entirety by, the information contained in the rest of this "Risk Factors" section, "Management's Discussion and Analysis of KLC's Pro Forma Results of Operations," "Business" and the financial statements and the related notes thereto included in this Memorandum.

The Projections do not include any expenses of any entity within the Company above the KLC level, including KUE expenses ($17.5 million of the $20.0 million payable pursuant to the Fixed Overhead Payment Agreement) that will be payable by KUE for administrative and other services. See "Related Party Transactions." The Projections also do not include any projected expenses relating to grants of Profits Participation Units or other equity-related grants, including for the Stock Appreciation Rights Plan at Knowledge Schools, Inc. ("KSI"), pursuant to which payments may be made based on different valuations of KSI stock and are based on the same multiples of Adjusted EBITDA used in 2005; actual valuations are conducted annually and may be higher or lower. Finally, the Projections do not reflect projected interest expenses on KUE debt.

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The Projections do not assume that the Company will make any future material acquisitions, even though the Company expects to use the proceeds of the sale of the Units, among other purposes, for acquisitions, which will likely affect actual performance and cause it to differ from the Projections. The Projections assume the success of the Company's operating strategy, although no assurance can be given that the Company's strategy will be effective or that the anticipated benefits from the strategy will be realized in the periods for which the Projections have been prepared. The assumptions described herein are those that the Company believes are most significant to the Projections; however, not all assumptions used in preparing the Projections have been set forth herein.

The Projections, in general, assume that: (i) the Company will not be negatively or positively impacted by any material legal proceedings; (ii) there will be no material change in any of the Company's existing contracts or leases; (iii) there will be no change in generally accepted accounting principles in the U.S. that will have a material effect on the financial results of the Company; (iv) there will be no labor disputes, natural disasters, acts of terrorism, epidemics (such as avian flu) or other disturbances that would materially affect the operations or revenues of the Company; and (v) that worldwide economic conditions and economic conditions in the U.S. remain generally favorable and consistent with those prevailing on the date of this Memorandum.

The Projections are based upon a number of assumptions and estimates that, while considered reasonable by management, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies which are beyond the control of KLC, and upon assumptions with respect to future business decisions which are subject to change. Accordingly, the Projections are only an estimate, and actual results will vary from the Projections, and these variations may be material. Consequently, the inclusion of the Projections herein should not be regarded as a representation of the Company, its advisors, the Agents, or any other person of results that will actually be achieved. Projections are necessarily speculative in nature, and it is usually the case that one or more of the assumptions in projections do not materialize. Prospective purchasers of the Units are cautioned not to place undue reliance on the Projections.

The limited *k*12 projections contained in this Memorandum were received from *k*12 management and were not prepared by the Company or its management.

The Company does not intend to update or otherwise revise the Projections to reflect circumstances existing after the date hereof or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions do not come to fruition. Furthermore, the Company does not intend to update or revise the Projections to reflect changes in general economic or industry conditions.

6.4. Risks Related to Investing in the Units

6.4.1 There will be significant unallocated net proceeds from the offering

If there are additional closings after the initial closing of the offering, after repayment of KUE's debt, a significant amount of the anticipated net proceeds from the offering of the Units may not have been designated for specific uses. Therefore, the Company's management will have broad discretion within the business scope of the Company with respect to the use of the net proceeds of the offering. There can be no assurance that the uses of proceeds will benefit the Company or Investors.

6.4.2 Investors will only have limited rights to receive ongoing information about the Company

Other than as expressly provided in the Limited Partnership Agreement of KUE (the "Limited Partnership Agreement"), the Company does not expect to provide ongoing detailed information regarding its business, financial condition or results of operations to Investors. The Limited Partnership Agreement provides that Investors shall receive yearly audited financial statements of the Company, as well as semi-

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annual reports on the Company's operations. In addition, Investors have the right to access certain other information regarding the Company as provided for in the Limited Partnership Agreement. As long as the Units are not registered under the Exchange Act, the Company will not be subject to the reporting requirements thereunder. KLC's 2005 audit was not completed until May 2006 due to systems conversion issues.

6.4.3 Investors may never receive cash distributions on their investment; there is no assurance of investment return

There is no assurance that KUE will be able to generate returns for the Investors or that returns will be commensurate with the risks of investing in KUE. There may be limited or no cash flow available to KUE from its subsidiaries or to the Investors from KUE and there can be no assurance that KUE will make any distributions to Investors. KUE is not obligated to declare cash distributions with respect to the Units other than certain distributions to meet tax obligations of the Investors. Public offerings, sales or other dispositions which may result in a return of capital or the realization of gains, if any, are not expected to occur for a number of years. An investment in KUE should only be considered by persons who can reasonably afford a loss of their entire investment.

6.4.4 KUE's ability to make distributions is limited by its subsidiaries' existing and future indebtedness

KUE will not have any material assets other than its ownership of various subsidiaries (including KLC) and investments in other companies, and will not have any material operations or revenues other than income derived from KUE's interest in its subsidiaries and any proceeds arising from its investments in other companies. Therefore, KUE's ability to make any distributions to Investors will be completely dependent on the operations and business results of its subsidiaries and its investment holdings.

KLC's ability to make distributions or payments to KUE is restricted by the provisions of its various debt agreements, including without limitation, the Indenture, dated as of February 2, 2005, by and between KLC, the Guarantors, as defined therein, and Wells Fargo Bank, N.A., as trustee. Therefore, KLC may be prevented from making distributions or payments to KUE as and when needed by KUE. Such restrictions may adversely affect the business and operations of KUE as a whole and the value of any investment in KUE. Similar restrictions may apply to future indebtedness incurred by KLC and other subsidiaries of KUE.

6.4.5 There is no public market for, and Investors may be unable to sell, the Units

There is no public trading market for the Units and one is not expected to develop. The economic risks of this investment must be borne for an indefinite period of time. Neither the Units nor the underlying Common LP Units or Class A Shares will be registered under the Securities Act or under any state securities laws (or the securities laws of any other jurisdiction). Each Investor will be required to represent that it is purchasing the Units for its own account for investment purposes and not with a view to resale or distribution. Although the General Partner intends to approve permitted transfers specified in the LPA, and not to unreasonably withhold consent to transfers, all transfers require the prior approval of the General Partner under Caymans Law, and no transfer of the Units may be made unless the transfer complies with the terms of the Limited Partnership Agreement. Although the Limited Partnership Agreement of KUE and the organizational documents of the General Partner permit the foregoing transfers and the General Partner has agreed with certain Investors to approve such transfers, applicable Cayman Islands law gives the General Partner full discretion to approve or disapprove transfers.

Each transfer must be registered under the Securities Act and applicable state securities laws or an exemption must be available. These restrictions will be noted on a legend placed on each certificate, if any, representing the Units. As a precondition to the effectiveness of any transfer, the Company may require the transferor to provide an opinion of legal counsel stating that the transfer is in accordance with the Securities Act and to pay any costs the Company incurs in connection with the transfer. It is not currently contemplated that the Units will be registered under the Securities Act, the Exchange Act, or

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other securities laws. In addition, certain provisions of Rule 144 under the Securities Act, which permit the resale, subject to various terms and conditions, of restricted securities after they have been held for one year, do not apply to the Units because the Company is not required to file and does not file, current reports under the Exchange Act and does not, and does not intend to, make comparable information publicly available.

6.4.6 Purchasers of the Units are subject to Dilution

Although we have not prepared a consolidated balance sheet for KUE, prior to this offering and the conversion of $180 million of KUE's preferred limited partner units currently held by the Principals and their affiliates into Common LP Units at the per Common LP Unit issuance price, we expect that KUE would have negative or nominally positive common equity book value due to its historical capital structure, including its level of indebtedness. As a result, the book value per Unit acquired in this offering will be substantially less after this offering than the purchase price paid by the Investors. The Investors' interests are also subject to future dilution if and to the extent the Company grants options, profits interest units or similar rights to officers, directors or employees of the Company, and will also be affected by any awards by the Company under the Long Term Incentive Plan and the Stock Appreciation Rights Plan described under "Management Incentive Plans and Employment Agreements." Investors will have a Co-invest Right to purchase a pro-rata portion of certain issuances of Units by the Company for cash; however, such right is subject to customary exceptions. See "The Structure of KUE and the General Partner."

6.4.7 KUE and the General Partner are not U.S. entities; disputes must be resolved by binding arbitration in the United Kingdom

KUE will be a Cayman Islands exempted limited partnership. The General Partner is a Cayman Islands exempted company. The internal governance of KUE will be pursuant to the Limited Partnership Agreement in compliance with applicable laws of the Cayman Islands. The internal governance of the General Partner will be pursuant to the Memorandum and Articles of Association and the agreement among members in compliance with applicable laws of the Cayman Islands. All disputes under the applicable agreements or related to this offering must be resolved through binding arbitration conducted in the United Kingdom under the London Court of International Arbitration Rules. Such laws and Rules may offer less or different protections to Investors than laws applicable to comparable U.S. entities or laws of the Investors' home countries.

6.4.8 The Company will not be operated to optimize the investment, tax or other objectives of any individual Investor

The Investors may have conflicting investment, tax and other interests with respect to their investments in the Company. The conflicting interests of individual Investors may relate to or arise from, among other things, the nature of investments made by the Company and the structuring or the acquisition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the General Partner, including with respect to the nature or structuring of investments, that may be more beneficial for one Investor than for another Investor, especially with respect to Investors' individual tax situations. In selecting and structuring investments appropriate for the Company, the General Partner will consider the investment and tax objectives of the Company as a whole, not the investment, tax or other objectives of any individual Investor. Investors must seek their own investment, tax and other advice concerning an investment in the Units.

6.4.9 The Investors may not separately transfer the constituent securities underlying the Units

The Investors may not separately transfer Common LP Units or Class A Shares (unless otherwise approved by the Board of Directors of the General Partner and the Independent Committee), and there may be less Investor interest in a security such as the Units than there would be in more traditional

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corporate or partnership investments. This restriction may adversely affect an Investors' ability to transfer the Units in the future.

6.4.10 Under certain circumstances, the General Partner may cause an Investor's interest in KUE to be redeemed or transferred

Under circumstances where the continuing participation in KUE by an Investor would have a material adverse effect on the Company, the General Partner may cause an Investor's interest in KUE to be redeemed or transferred. See "Limitation of a Limited Partner's Participation" in Section 4.11 of the Limited Partnership Agreement of KUE.

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7. DISTRIBUTION POLICY

We intend to retain any future earnings to fund working capital, debt service, acquisitions and growth and do not expect to make distributions for the foreseeable future. Any determination to make distributions in the future will be at the discretion of the General Partner and will depend upon our results of operations, financial condition and other factors, as the General Partner, in its discretion, deems relevant. Limitations in the credit facility and indenture of KLC restrict distributions by KLC that could, in turn, be made available for future distributions by KUE to its partners.

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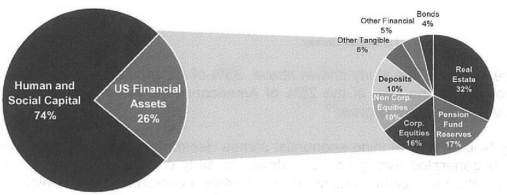
8. INDUSTRY OVERVIEW

8.1. Human Capital

Historically, the world economy has been viewed as being driven by an asset base of natural resources. This has shifted to an economy driven by industrial and financial resources. This perception is reinforced through the statistics and measurements used by governments, as seen in the Federal Reserve's representation of the U.S. balance sheet. However, it is KUE's view that the real assets of a city, state, region or country are its people (human capital) and their productive capacity. KUE believes that national economies that fail to embrace this concept will be left behind. Nobel Prize winning economist Gary Becker estimates that in today's service based economy, human capital accounts for 76% of the assets in the U.S.

2005 Human Capital - $238 Trillion Market | **2005 U.S. Balance Sheet - $62 Trillion Market**



Source: Gary Becker
Source: U.S. Federal Reserve

Importantly in today's economy, the value of a company is increasingly driven by creativity, innovation and education. Companies are recognizing that human capital is their defining asset. With the value of education becoming apparent to government and businesses alike, the Principals believe that a significant opportunity exists to create an education company that will promote and cultivate human capital. Today, not a single education company ranks in the top 100 worldwide as measured by market capitalization. Within 20 years, KUE believes that the education space will contain some of the largest companies in the world.

8.1.1 Enhancing Human Capital through Education

Education is a primary factor in improving an individual's life-long productivity. Studies have shown that a higher level of education leads to increased lifetime earnings, and that this is increasingly true in the new, knowledge economy.

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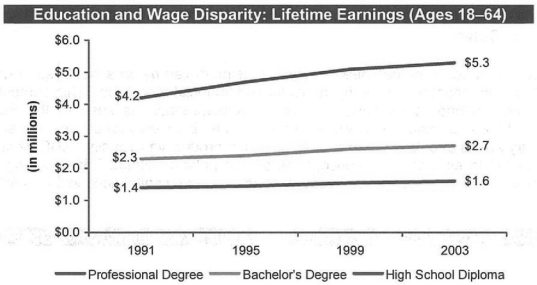
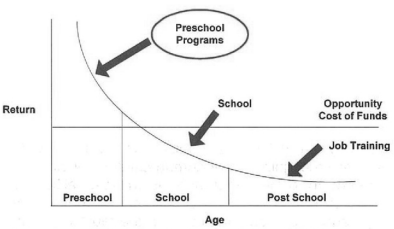
As shown below, an individual with a professional degree earns approximately 100% more than a college graduate and an individual with a bachelor's degree earns approximately 70% more than a high school graduate in their lifetime.



Source: U.S. Census Bureau.

Despite the results of the study shown above, 35% of Americans over the age of 18 have not graduated high school. Only one-third of the 25% of Americans who have received a bachelor's degree, or 8%, have received a graduate degree.[16]

Studies by Nobel Prize winning economist James Heckman suggest that the highest rate of return within education is generated through an investment in early childhood programs. Heckman's study asserts, "The rate of return to a dollar investment made while a person is young is higher than the rate of return to the same dollar made at a later age," as illustrated below:



Source: August 2002 study, James Heckman, University of Chicago.

Due to the high rate of return of investments in ECE and the principles underlying the theory of human capital, KUE has made its largest initial investment in KLC, the largest company serving the ECE market in the world.

[16] *Source: U.S. Census Bureau.*

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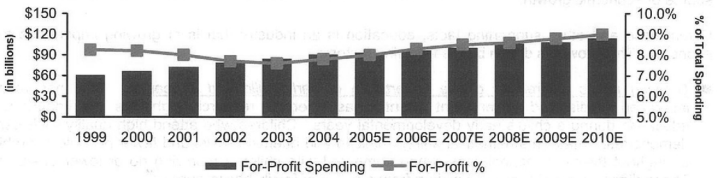
8.2. The Education Market

Education is one of the largest sectors in the world, representing approximately 5% of global gross national income of $48 trillion.[17] In 2005 in the U.S. alone, education was a $1.0 trillion market with for-profit education accounting for $81 billion or 7.8% of this amount.[18] The for-profit component of this industry (pre-K-12, post secondary and corporate training) is projected to grow faster than the overall historical industry growth rate, at a 7.4% annual rate, reflecting the increasing importance of for-profit operations in the sector, to reach a market size of $116 billion by 2010.[19] Education is still predominantly provided by public / governmental entities in most countries including the U.S. KUE believes that the industry will converge towards a more balanced public / private system, similar to the evolution observed in the 20th century in other major industries such as healthcare, infrastructure and telecommunications.

US Education Industry: Revenues Generated by For-Profit Companies (1999–2010E)



Source: Harris Nesbitt estimates, U.S. Department of Education National Center for Education Statistics, Training Magazine and Eduventures.

8.3. The U.S. Early Childcare or "pre-K" Market

The highly fragmented early childcare or "pre-K" market includes care based in homes and housed by community organizations (*e.g.*, churches, synagogues, YMCAs) and center based facilities. Center-based childcare includes preschools (nurseries), workplace centers (located on-site at the company), lease-model centers (located in a real estate developer's office building), back-up centers (a variety of on-site and off-site back-up care programs) and family day-care facilities (located in someone's home or center). Although childcare may evoke thoughts of a babysitting service, education has become an increasingly important element in services to pre-K children. However, the education-focused portion of the childcare market remains relatively small.

Since the early 1980s, center-based ECE has become the care provider of choice for families. The U.S. ECE unit generated an estimated $54 billion in total spending in 2005, representing a 10% compound annual growth rate since 1982.[19] Approximately five million or 60% of 3 to 5-year-olds with working mothers are enrolled in ECE centers.[20] The following growth drivers are expected to continue to fuel growth in the early childcare market: growing importance of ECE, demographics (*e.g.*, more children aged five and younger), increase in families with two working parents, more educated parents, corporations recognizing the benefits of childcare services and tax incentives and other positive legislation.

The perception of ECE as a fundamental component of child development has contributed to average annual fee increases of roughly 7% amongst center-based facilities, reflecting the stable, relatively inelastic nature of the demand for higher quality care.[21] The number of children receiving childcare

[17] *Source: UNESCO Institute for Statistics Database.*
[18] *Source: US Department of Education National Center for Education Statistics and Training Magazine and Harris Nesbitt research.*
[19] *Source: Harris Nesbitt, Education and Training, September 2005.*
[20] *Source: "Early Care and Education: Work Support for Families and Developmental Opportunity for Young Children," Urban Institute, September 2001.*
[21] *Source: The National Economic Impacts of the Child Care Sector, 2002.*

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outside the home grew from 10.6 million in 1999 to an estimated 12 million in 2003, an increase of 3.1% annually.[22]

8.3.1 Early Childhood Education's Role in the Economy

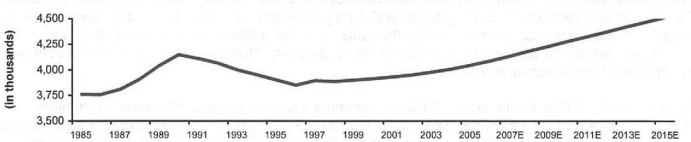
ECE enables people to pursue income-generating activities by allowing parents to participate in the workforce and contribute to the economy. A recent study found that every dollar spent on the formal ECE sector generates approximately 15 dollars worth of additional earnings by parents.[23] Furthermore, evidence suggests that regardless of family income, children who have participated in ECE programs do better in school than their peers who did not. ECE also reduces social and economic costs by lowering school dropout rates, and leads to decreased levels of criminal activity. These social and demographic forces have established ECE as a fundamental component of today's economic 'infrastructure' and a source of economic growth.

Given these and other supporting facts, education is an industry that is of growing importance to the economy. This growth is driven by the following factors:

- *Growing public awareness of the importance of early childhood education*. ECE has received increased media and government attention as scientific research highlights the importance of education during a child's early developmental years. Children who attend high quality ECE centers demonstrate greater mathematical ability, thinking and attention skills, and fewer behavioral problems throughout their educational lives, when compared with children receiving no or lower quality care. These differences hold true for children from a range of family backgrounds.[24]

- *Favorable demographic trends*. According to the National Center for Health Statistics, the annual number of live births in the U.S. was approximately 4.1 million in 2003, compared to approximately 3.6 million in 1980, and the U.S. Census Bureau projects the annual number of live births to increase to approximately 4.5 million in 2015.[25] The number of children aged five years or under grew from approximately 22.5 million in 1990 to approximately 23.4 million in 2002, according to the U.S. Census Bureau, and is projected to reach 26.8 million in 2015.[22]

Number of Live Births in the U.S.



Source: U.S. Census Bureau.

- *Changing workforce composition*. A rising percentage of women participate in the workforce due to an increasingly higher cost of living, a desire for financial independence and an elevated standard of living preference, which necessitates two full-time wage earners for most families. Of the nearly 65 million jobs created nationally between 1964 and 1997, 40 million were occupied by women. Today, more than 62% of mothers with children under the age of six work full-time compared to 19% in 1960.

[22] *Source: Harris Nesbitt, Education and Training, September 2005.*
[23] *Source: The National Economic Impacts of the Child Care Sector, 2002.*
[24] *Source: The Children of the Cost, Quality, and Outcomes Study Go To School, 1999.*
[25] *Source: Population Projections Branch, U.S. Census Bureau, "U.S. Interim Projections by Age, Sex, Race and Hispanic Origin," May 2004.*

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- *Highly educated parents spend more on childcare.* The increasing number of college graduates in the U.S. and abroad will support continued expenditures on ECE. In 2001, 70% of children with college-educated mothers attended childcare programs, while only 38% of children whose mothers had less than a high school degree attended childcare programs. A recent report by the U.S. Department of Commerce reveals that families with college degrees spent an average of $92.67 per week (per child) on childcare in 2000, whereas parents without a high school degree only spent an average of $59.70 per week per child.[26]

- *Increasing demand for Employer-Sponsored Centers.* With increased levels of employment, corporations are witnessing growing demand for ECE services. Companies benefit from offering childcare services to their employees as (i) it often reduces employee absenteeism; (ii) serves as a perquisite, which differentiates the employer's compensation package; and (iii) tends to lower turnover rates. ECE services contribute to a stable and consistent workforce.

- *Favorable tax incentives.* Certain tax incentives are available to parents utilizing childcare programs. Specifically, Section 21 of the Internal Revenue Code provides a federal income tax credit (Child and Dependent Care Credit) ranging from 20% to 35% (increased in 2003) of certain childcare expenses for "qualifying individuals." The Economic Growth and Tax Relief Reconciliation Act of 2001 created a Federal Employer Tax Credit for certain childcare expenses beginning in 2002. Employers can receive a credit of 25% of their spending on the construction or rehabilitation of a child care facility or on contracts with a third party child care facility to provide child care services to employees. Corporations also benefit from tax incentives of up to $150,000 per year.

8.3.2 Industry Characteristics

The ECE sector has a number of favorable operating characteristics. First, well-run school operators enjoy high returns on capital, predictable revenue streams and strong free cash flows, with students generally paying in advance of services delivered. Second, industry data shows that tuition rates have increased by approximately 7%, a rate which has exceeded inflation.[27] The current outlook suggests no change in this dynamic. Third, government regulation and licensing standards represent notable barriers to entry.

Given that education is a universally accepted product, management believes that our business model is highly scalable. The basic center model is expected to be essentially repeatable and transferable to new markets and locations. With labor representing approximately 50% of the total operating cost structure, companies within this sector tend to benefit from a variable cost structure, which allows them to reduce costs as economic and market conditions change.

Often the demanding requirements for the selection of school directors and teachers can limit the pool of qualified employees for the industry. Low pay also tends to result in high turnover rates of approximately 50% annually within the industry.

8.3.3 Competitive Landscape: Early Childhood Education

The ECE sector is highly fragmented with the top six providers representing approximately 5% of all organized ECE centers. The Company's primary competitors are (i) local nursery schools and child care centers, some of which are non-profit (including religious-affiliated centers), (ii) providers of services that operate out of their homes and (iii) other for-profit companies which may operate a number of centers. Local nursery schools and ECE centers generally charge less for their services. Many religious-affiliated and other non-profit child care centers have no or lower rental costs than for-profit chains, may receive donations or other funding to cover operating expenses and may utilize volunteers for staffing. Consequently, tuition rates at these centers are commonly lower than the Company's rates.

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[26] *Source: Harris Nesbitt Research, Education and Training, September 2005.*
[27] *Source: The National Economic Impacts of the Child Care Sector, 2002.*

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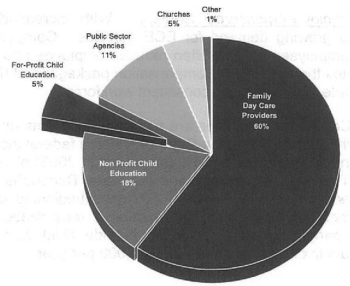
There are also several national chains, such as Bright Horizons Family Solutions, La Petite Academy, Learning Care Group (ABC Learning) and Nobel Learning Communities, or regional for-profit companies with sizeable numbers of centers and similar economies of scale in curriculum development, marketing and site development.

Competitive Landscape within Early Childhood Education



Source: Harris Nesbitt Research, Education and Training, September 2005 and The National Childcare Association.

KLC OpCo successfully competes against these companies, with the following differentiating factors: (i) strong brand equity; (ii) a strong management team; (iii) grass roots level marketing; and (iv) a larger network of community centers. KLC also has a number of employer-sponsored centers that gives the Company greater breadth and depth. Finally, KLC is the only large competitor in the sector owned by an education company. Following is a brief description of each of several of the national competitors.

- *ABC Learning (Public, traded on the ASX)*

The Learning Care Group, ABC Learning's U.S. operating segment, has over 30,000 children enrolled (full and part-time) nationwide. Under the Childtime and Tutor Time segments, Learning Care operates child care centers and under the Franchise segment it licenses and provides developmental and administrative support to franchises operating under the Tutor Time brand. As of October 14, 2005, Childtime generated LTM sales of $220.7 million across 460 childcare centers in the U.S. (328 of which are company owned and 132 of which are franchised locations). On January 11, ABC announced it had successfully completed the acquisition of the Learning Care Group, Inc. for $159 million in cash. In addition to the 460 centers located in the U.S., ABC operates 707 centers in Australia and New Zealand.

- *Bright Horizons (Public)*

Founded in 1986, Bright Horizons Family Solutions is a leading provider of employer-sponsored child care services. Bright Horizons operates 616 childcare and early education centers for over 600 clients. The company serves more than 66,300 children in 39 states, the District of Columbia, Canada, Guam, Ireland and the United Kingdom. In September of 2005, the company acquired ChildrensFirst Inc. As of December 31, 2005, the company reported LTM sales and EBITDA of $625 million and $75 million, respectively.

- *La Petite Academy (Private)*

La Petite is the third largest operator of for-profit pre-school centers in the U.S., currently serving more than 65,000 children in 649 centers located in 36 states and the District of Columbia. The company also

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owns 68 (included in the 649 centers) Montessori schools which cater to K-12 students. LPA's residential Academies are typically located in residential, middle-income neighborhoods. As of February 28, 2006, the company reported LTM sales and EBITDA of $411 million and $33 million, respectively. The company has been owned by JP Morgan Capital since 1998.

- *Nobel Learning Communities (Public)*

Nobel is a for-profit provider of private pay education and services for education entities for the preschool through 12th grade market. The company's programs are offered through a network of general education preschools, elementary and middle schools, programs for learning challenged students and special purpose high schools. Nobel operates 150 schools in 13 states across the U.S. As of December 31, 2005, the company reported LTM sales and EBITDA of $166 million and $15 million, respectively. Affiliates of the Principals are currently significant shareholders of the company.

8.3.4 Government's Role in Early Childhood Education

Approximately 83% of the estimated $54 billion spent on ECE is generated by private and independent non-profit services. The government provides the remaining 17% of services through Head Start and public schools. The government pays for public school and Head Start programs, but also subsidizes payments of low-income families to providers of their choice through the Child Care Development Block Grant and Temporary Assistance for Needy Families, which are blended with state dollars. About 25% of for-profit early childhood care revenue comes from these subsidy programs.
The government is, at both the federal and state level, actively involved in expanding the availability of early childhood care services. Federal support is delivered at the state level through government-operated educational and financial assistance programs. Early childhood care services offered directly by states include training, licensing and regulation for early childhood care providers and resource and referral systems for parents seeking ECE.

The increasing importance of education is further demonstrated by the "No Child Left Behind Act of 2001," signed into law in January 2002. This Act is the most sweeping reform of the Elementary and Secondary Education Act, or ESEA, since ESEA was enacted in 1965. To support this commitment, President Bush requested a $54.4 billion budget for the Department of Education for fiscal 2007, a 28.9% increase from the 2001 budget of $42.2 billion.

Certain tax incentives exist for early childhood care programs. Section 21 of the Internal Revenue Code provides federal income tax credits ranging from 20% to 35% of certain early childhood care expenses for qualified individuals.

8.4. The U.S. K-12 Education Market

A fundamental change has occurred in the K-12 sector in recent years, as the desire to improve school quality has overtaken demographics as a key growth driver. Companies providing supplemental educational services (*e.g.*, KLC) and several school alternatives, such as charter and contract schools (*e.g.*, *k*12), are expected to be instrumental in improving K-12 student performance.

The K-12 education market in the U.S. is comprised of over 15,000 school districts including more than 90,000 K-12 public schools, approximately 3.5 million teachers, and about 54 million students according to the National Center for Education Statistics. Total K-12 expenditures, federal, state and local, are approximately $500 billion.

Despite the growth in spending on public education over the last decade, student achievement has shown little progress. According to the 2005 National Assessment of Educational Progress, 32% of eighth-graders performed below the Basic level in mathematics, and only 29% performed at or above the Proficient level. One-third of American fourth graders are functionally illiterate. KUE believes the following factors will present significant market opportunities in the coming years for for-profit K-12

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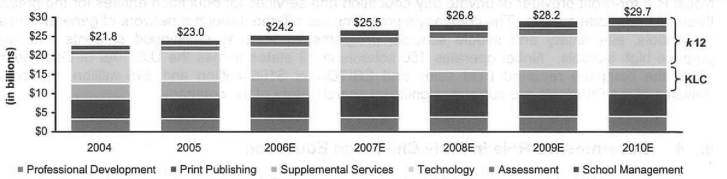
education providers. According to Harris Nesbitt Research, industry experts estimate that the $21.8 billion in revenues generated by for-profit education providers in 2004 will increase to over $29.7 billion in 2010, 5.3% annual growth.[28] However, these estimates reflect only spending by institutions on educational material and do not reflect the growing segment of direct to consumer educational materials, which represented roughly an additional $20 billion in 2004.[28]

For-Profit K-12 Education (2004 – 2010E)



Source: Harris Nesbitt estimates based on Eduventures' "The Education Industry: Learning Markets and Opportunities 2004" report (December 2004).

Standards and Accountability. Due to the unsatisfactory performance of American students in grades K-12, parents and lawmakers are demanding increased standards and accountability in schools. This demand has focused on establishing guidelines for every school and every subgroup of students and then holding the school (and its staff) accountable to students' performance relative to those standards. The Company expects continued focus on academic standards, assessments, and accountability in the near future. Despite this increased attention on standards and accountability, many parents continue to remain concerned with the overall effectiveness of the public school system and are increasingly relying on for-profit education providers.

Charter Schools and Virtual Academies. There has also been a significant rise in the number of charter schools in the U.S. in the past decade. Since Minnesota first enacted legislation in 1991, 40 states and the District of Columbia have passed charter school legislation. Under the typical charter school statute, an identified entity, such as the state, a state university or local school district board of education, is authorized to grant a specified number of charters to community groups or non-profit entities to create a public charter school. A growing number of charter boards, in turn, contract with private sector organizations to manage the schools. In return for a large measure of autonomy from normal public school regulation, the charter school is accountable for student academic performance. Currently, the Company estimates that there were nearly 2,700 charter schools in operation nationwide, as of January 2003, with an estimated enrollment of over 685,000 students. Moreover, the federal No Child Left Behind Act ("NCLB") recognizes charter schools as a viable alternative for students who want to transfer from neighborhood schools that are failing.

To capitalize upon the increasing number of parents who are willing to educate their children at home and still want to be part of the public system, there are a growing number of virtual schools, where much of the learning is home-based. Most current charter school legislation either explicitly authorizes virtual public schools or does not directly prohibit them. Because virtual schools usually offer a comprehensive curriculum, easy-to-use learning and performance evaluation technology assistance and instructional materials, the Company believes that a growing number of families will pursue virtual public schools as an attractive alternative to traditional schools and a more cost-effective, better organized approach to home schooling. The large and scalable platform that exists at *k*12 is designed to capitalize on this trend as the number of charter schools has grown on average nearly 13% annually, while charter school enrollment

[28] *Source: Harris Nesbitt, Education and Training, September 2005.*

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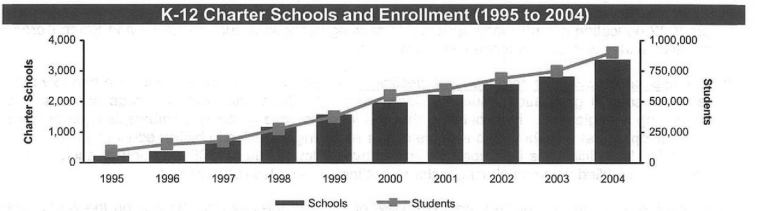
has increased 20% annually, outpacing the less than 1% average K-12 enrollment growth over the same period.[29]



Note: Number of students in 1999–2000 school year was estimated.
Source: Harris Nesbitt, Education and Training, September 2005 and Charter School Leadership Council and Center for Education Reform.

Supplementary Education Market. For parents who continue to enroll their children in traditional public and private schools, there is a growing demand for supplemental education services. According to the U.S. Department of Education, 31% of elementary school children, or more than 10 million students nationwide, are enrolled in after-school programs. According to Eduventures, the U.S. supplementary education market was estimated to be approximately $8.1 billion in 2003. Additionally, under the No Child Left Behind (NCLB) Act, some children in poorly performing schools will be eligible for taxpayer-financed supplemental educational services. These supplemental educational services can be provided by state-approved non-profit or for-profit entities as well as private schools and public schools (including public charter schools). More parents want to spend educational time with their children, but lack access to high quality supplemental material that is effective and integrated into a comprehensive plan that is easy for a parent to deliver and manage.

The virtual school market is a relatively new area within the broader K-12 education market. As a result, there is a growing need for a high quality, trusted, national education offering for this demographic. Furthermore, parents are seeking much more robust and comprehensive ongoing assessments than is currently offered in the public schools, in order to assess their children's progress both on a relative and an absolute basis.

8.5. The International Education Industry

The leading authority on the worldwide education industry, the United Nations Educational Scientific and Cultural Organization ("UNESCO"), estimates that average public expenditures on education across the world increased from 4.1% of GNP in 1990 to 4.5% in 2000. In developing countries the increased government focus on education is more pronounced as public education expenditures rose to 4.1% in 2000 from 3.5% in 1990. Based on global gross national income of $48 trillion, KUE estimates that the global education market opportunity is greater than $2.4 trillion driven by the following factors:

- *Large population of school-aged children in parts of the world*. The opportunity for pre-K-12 education is particularly strong in certain countries with high fertility rates. Examples of such opportunities include India, where mothers give birth to an average of 2.78 children. Increases in the population of children coupled with an increased awareness of the economic and social benefits of education are expected to lead to significant growth in the global ECE market.

[29] *Source: Harris Nesbitt, Education and Training, September 2005 and Charter School Leadership Council and Center for Education Reform.*

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- *Increased government focus on education*. In many countries, per student public spending on education represents a larger portion of per capita GDP than in the U.S. For example, in Australia and the United Kingdom, the government has subsidized a large portion of ECE. Now, countries such as Saudi Arabia are developing similar programs. The opportunity for increased government spending on pre-K-12 education is particularly apparent in growing economies such as China and South Korea as those countries increase their share of world GDP.

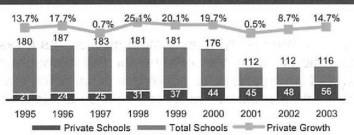
- *Potential opportunities in countries with declining populations*. In countries that have had low fertility rates for several generations, such as Japan and Italy, there often exists a large family structure supporting a single child. KUE believes that this leads to several family members (*e.g.*, both parents and grandparents) contributing to a single child's schooling, resulting in higher education expenditures per child. In addition, the high cost and limited availability of quality ECE in countries such as Japan has been identified as a contributing factor to declining birth rates in the country.

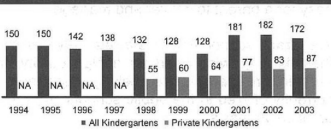
The following paragraphs provide a brief overview of some of the key markets around the world, which KUE views as attractive. These include China, Saudi Arabia and the United Kingdom.

8.5.1 China: Market Overview

With a population of 274 million children under age 15, and a fertility rate of 1.73, China represents an attractive market for early education providers.[30] In China, mandatory education starts with primary schools, at which most children enroll by age six. Currently, 24 million Chinese children are attending kindergarten as a growing middle class and the one-child policy are driving multiple incomes to one child and increasing the amount of capital that can be dedicated to education. These socioeconomic factors are reflected in the increasing numbers of private kindergartens, which have grown at a rate of 13% over the past eight years.[31]

Public versus Private Pre-School Education





Note: Private kindergarten enrollment data unavailable before 1998.
Source: Ministry of Education, China Education Industry Development Statistics Report, China Education and Research Network.

Schools tend to be concentrated in larger cities with Beijing, Shanghai, Nanjing, Qingdao and Guangzhou being the largest pre-school markets. Kindergartens are divided into three categories: Bilingual, Foreign language and Mandarin. Bilingual kindergartens are typically joint ventures between Chinese and foreign entities or owned wholly by Chinese private or public entities. Tuitions for bilingual programs can reach $15,000 per year. Foreign language kindergartens are wholly owned foreign schools that recruit only foreign students and are typically backed by their embassies. These schools adhere to foreign educational standards with Mandarin being taught as a second language. The tuitions of foreign language schools range from $10,000 to $22,000 per year. Mandarin kindergartens are typically owned by Chinese public entities.

[30] *Source: Central Intelligence Agency, World Factbook 2006.*
[31] *Source: Ministry of Education, China Education Industry Development Statistics Report, China Education and Research Network.*

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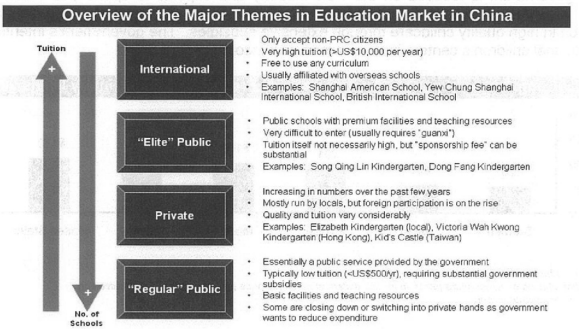
Kindergartens can be set up by the Ministry of Education, private enterprises, universities, communities and individuals. While local governments establish the minimum and maximum fees allowed to be charged by public kindergartens, private schools are allowed to dictate "reasonable" tuition levels.



Source: Enspiren.

8.5.2 Saudi Arabia: Market Overview

Saudi Arabia's nationwide public educational system comprises eight universities and more than 24,000 schools. Open to every citizen, the system provides students with free education, books and health services. The government allocates over 25% of the annual State budget to education.

According to the Ministry of Education, Saudi Arabia prizes education because of its critical importance in developing the country's human potential. Education is a central aspect of family and community life. Parents are deeply involved in their children's education, and the close links between home and school serve to reinforce the structure of the community and the nation.

The government plans to increase the enrollment of 4 to 6-year-olds to 40% by 2014.[32] Additionally, by royal decree, education is now required for all 4-year-olds. New labor laws also necessitate that companies employing 50 or more women provide daycare centers. Despite this new series of laws, there still only exist 1,200 kindergarten schools in Saudi Arabia (42% private and 58% public) to support the legislative pronouncements. The Company anticipates that, additional capacity will be needed to meet these social objectives. These trends, as noted by the Ministry of Education in Saudi Arabia have led to private education facilities opening all over the Kingdom.

8.5.3 United Kingdom: Market Overview

The United Kingdom stands out with consistent rises in its investment in education, not just in absolute terms, but also relative to national income: Spending on educational institutions increased from 4.3% of GDP in 1990 to 5.5% in 1995 and 5.9% in 2002. From 1995 to 2002, spending and enrollment in primary and secondary education has also increased by 36% and 21%, respectively.[33] Additionally, the country invests almost twice as much as any other country at the pre-primary level. The rate of participation of 4-

[32] *Source: Kingdom of Saudi Arabia Ministry of Education Deputy Ministry for Planning and Administrative Development General Directorate for Planning. "The Ministry of Education Ten-Year Plan" 2005.*
[33] *Source: OECD, "Education at a Glance 2005."*

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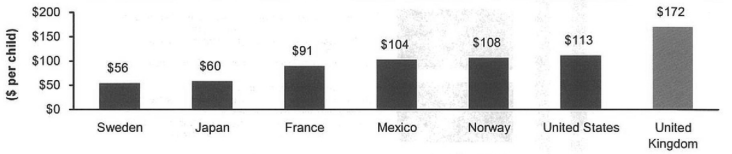
year-olds and under as a percentage of the 3-to-4-year-old population has also increased from 51% in 1998 to 77% in 2002.

The U.K. government is focused on the ECE industry and expects to spend $18 billion on child care schemes in the near future through "Sure Start", an initiative designed to encourage additional participation in high quality childcare through extensive subsidies. The government's intention is to create 3,500 additional children's centers in un-serviced, low-income communities.

Comparison of per-child expenditure at Pre-Primary and Primary levels 2001



Source: UNESCO Institute for Statistics database.
Note: Calculations based on expenditure per child in U.S. dollars at purchase price parity, using full time equivalents.
[1] Public and private institutions only.

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9. KNOWLEDGE UNIVERSE EDUCATION ("KUE")

KUE is the third largest for-profit education company in the world. KUE currently operates in the U.S. and is the indirect parent company (87.6% ownership[34]) of KLC and also a major shareholder (owns 17.9% to 40.0%[35] of equity) of *k*12. In November 2005, KLC divided its business, with substantially all of its real estate owned by special purpose subsidiaries (KLC PropCo) and all of its customer contracts and operations remaining at KLC and certain other subsidiaries (KLC OpCo).

The controlling shareholders of the General Partner are Michael Milken, Lowell Milken and Steven Green (collectively the "Principals"). Michael Milken and Lowell Milken each has more than two decades of experience in the education sector through involvement in several for-profit and not-for-profit initiatives. Steven Green, a former U.S. ambassador to Singapore, has more than two decades of experience as an international industrialist leading major corporate restructurings and expansions in manufacturing, housing, consumer products, retail and real estate enterprises. The Principals founded KUE and its affiliated companies over the past decade based on their vision of a world where competition for human capital is becoming the driving force of economic prosperity. KUE represents the Principals' sole vehicle for equity investment opportunities in the early education through secondary school sector going forward.

The Company has an accomplished and internationally recognized leadership team. Led by the Principals, the Company has a prominent management team and advisory board with significant financial resources and substantial experience in the fields of education and real estate management. Additionally, through its past experiences at KLC, the Company has demonstrated the ability to acquire and integrate education assets. The Company's management consists of people with diverse backgrounds in operations, corporate finance, real estate, government relations and education. KUE's role will be to oversee the portfolio of operating businesses, identify acquisition candidates, hire top level management of the operating businesses and help the portfolio companies navigate some of the legislative and regulatory matters that exist in K-12 education. These services will be performed for the Company by KULG, for which KUE will pay $20.0 million annually to KULG in quarterly installments beginning July 1, 2006 pursuant to the Fixed Overhead Payment Agreement. See "Related Party Transactions."

The General Partner plans to have a Board of Directors (the "Board") with representatives from some of the countries KUE plans to expand into, public policy experts and independent directors with complementary backgrounds. KUE expects to benefit from the breadth and depth of the knowledge, experience and expertise of the Board. At the final closing of this offering, at least two members of the Board will be Independent Directors. After the Initial Listing of the Units and so long as consistent with contractual and licensing obligations, the General Partner will have a majority independent board.

9.1. KUE Management and Advisory Board Members

The following table sets forth KUE's management and current advisory board members. Detailed biographies can be found in Appendix A.

[34] *The 12.4% minority position is held by various investors.*

[35] *KUE's ownership varies depending on the liquidation value or sale value of k12 and according to the preference of the various securities KUE owns. At higher valuations, KUE's percentage ownership is lower. See "k12 Inc (k12) – k12 Equity."*

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Management	
Name	**Position**
Lowell Milken	Co-Founder, President and Chief Executive Officer of KUE
Michael Milken	Co-Founder and Chairman of KUE
Steven Green	Vice Chairman of KUE, and Chairman and CEO of k1 Ventures and Greenstreet Real Estate Partners
Ted Sanders	Vice Chairman of KUE
Stephen Goldsmith	Senior Vice President of Strategic Planning and Worldwide Government Programs
Nina Rees	Senior Vice President, Strategic Initiatives
Jeffrey Safchik	Chief Financial Officer
Richard Sandler	General Counsel
Adam Cohn	Senior Vice President, Business Development
Geoffrey Moore	Senior Vice President, Corporate Communications
Michael Neumann	Vice President, Business Development

KUE Advisory Board	
Name	**Position**
Les Biller	Retired Vice Chairman & Chief Operating Officer of Wells Fargo and Company
Ted Mitchell	CEO of the New Schools Venture Fund
Tsvi Gal	Chief Technology Officer for Deutsche Bank Asset Management

9.2. Note Payable to KULG by KU Education, Inc.

On January 6, 2005, KU Education, Inc., a Delaware corporation and subsidiary of KUE ("KUE Inc.") executed a promissory note in favor of KULG, an entity controlled by the Principals, in the amount of $200.0 million, the proceeds of which were used in connection with the acquisition of KinderCare by KLC. This note has a seven year maturity and accrues interest at the "reference rate" set by Bank of America plus 1.25% per annum. The note may be prepaid, in whole or in part, without any premium or penalty. As of April 1, 2006, KUE Inc. owes approximately $183.9 million under the note.

9.3. Term Loan Facility

On March 29, 2006, Knowledge Universe Education LLC, a Delaware limited liability company ("KUE LLC"), entered into a six-month $150 million term loan facility with an affiliate of Credit Suisse, one of the Agents. The proceeds of the $150 million term loan were used to repay existing debt of KUE LLC to entities controlled by Michael Milken.

The term loan facility is fully and unconditionally guaranteed by KUE LLC's direct and indirect parents and the parent guaranty is several. Upon contribution of assets to KUE by KUE LLC, KUE will become a co-borrower. It is expected that this Term Loan Facility will be repaid with the proceeds of this offering.

The term loan bears interest at either the reserve adjusted LIBOR rate plus 0.125% or the base rate (generally the applicable prime lending rate, as announced from time to time), at KUE's option and is secured by cash collateral. KUE is permitted to voluntarily prepay the term loan, in whole or in part, without premium or penalty, upon the giving of proper notice.

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10. MANAGEMENT'S DISCUSSION AND ANALYSIS OF KLC's PRO FORMA RESULTS OF OPERATIONS

In January 2005, KLC acquired KinderCare and incurred $540 million of term debt (the "Acquisition Term Debt") and $250 million of subordinated bridge debt to finance the acquisition. At the time of the KinderCare acquisition, KinderCare had approximately $300 million of nonrecourse mortgage debt outstanding (the "KinderCare CMBS Debt"). KLC refinanced the bridge debt in February 2005 with $260 million of 7-3/4% senior subordinated notes due 2015 (the "Notes"). In November 2005, KLC completed a transaction (the "Real Estate Transaction") in which KLC divided its business, with substantially all of its real estate owned by special purpose subsidiaries (collectively, KLC PropCo) and all of its customer contracts and operations remaining at KLC and certain other subsidiaries (collectively, KLC OpCo). Management believes that this division represents the best way to analyze the business going forward. In connection with the Real Estate Transaction, KLC PropCo entities incurred $650 million of mortgage debt, $50 million of senior mezzanine debt and $150 million of junior mezzanine debt, which indebtedness is nonrecourse to KLC OpCo, the proceeds of which were primarily used to repay the Acquisition Term Debt and the KinderCare CMBS Debt, and KLC PropCo leased its owned centers back to KLC OpCo. See "KLC: Management's Discussion and Analysis of Financial Condition and Results of Operations for the Fiscal Years Ended 2005, 2004 and 2003" in Appendix B, "KLC: Management's Discussion and Analysis of Financial Condition and Results of Operations for the Quarterly Period Ended April 1, 2006" in Appendix C, "KLC: Management's Discussion and Analysis of Financial Condition and Results of Operations for the Quarterly Period Ended July 1, 2006" in Appendix D and Notes 11 and 21 to KLC's Financial Statements in Appendix E.

The discussion below presents the pro forma results of consolidated KLC (KLC OpCo and KLC PropCo) as if the KinderCare acquisition and the Real Estate Transaction occurred on January 1, 2004. The pro forma results are not adjusted for the costs of operating KLC and KinderCare in parallel for a significant portion of 2005, or for restructuring costs incurred in combining the two businesses. These and other items are reflected as adjustments to EBITDA in our presentation of pro forma Adjusted EBITDA.

Our pro forma results for KLC were not prepared in conformity with Article 11 of Regulation S-X of the SEC (which would not, among other limitations, permit a 2004 pro forma presentation after completion of our 2005 financial statements). In addition, by presenting a pro forma comparison, this discussion and analysis does not include a comparison of KLC's historical GAAP consolidated operating results or segment information that would be required by Item 3-03 of Regulation S-X of the SEC. The presentation of non-GAAP information herein does not purport to comply with Item 10(e) of Regulation S-K or Regulation G of the SEC. For further information see "KLC: Management's Discussion and Analysis of Financial Condition and Results of Operations for the Fiscal Years Ended 2005, 2004 and 2003" in Appendix B, "KLC: Management's Discussion and Analysis of Financial Condition and Results of Operations for the Quarterly Period Ended April 1, 2006" in Appendix C, "KLC: Management's Discussion and Analysis of Financial Condition and Results of Operations for the Quarterly Period Ended July 1, 2006" in Appendix D and the KLC and KinderCare GAAP financial statements in Appendix E.

The pro forma presentation is not shown with adjustments to historical financial statements. Instead, it is based on a "ground up" combination of corporate level expenditures (overhead and capital expenditures) and internal financial statements derived from a center-by-center build up of KLC's results. The primary reasons for the presentation based on internal reports instead of KLC and KinderCare financial statements are the different fiscal year ends and expense classifications between KLC and KinderCare. The "ground up" analysis presented is consistent with management's view of the business.

Key Operating Variables

Net Revenue Trends and Drivers

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The vast majority of KLC's net revenues are derived from center operations. The trends and drivers discussed below relate to such center operations.

KLC derives its net revenues primarily from the tuition it charges for attendance by children at its centers. KLC's tuition rates and net revenues can be significantly impacted by the enrollment characteristics at its centers. Key factors include (1) geographic location, because KLC can command higher tuition rates in certain geographic areas; (2) the age mix of children enrolled, because tuition rates depend on the age of the child and are generally higher for younger children; (3) the mix between full- and part-time attendance, because KLC charges comparatively higher rates for part-time enrollment and (4) the level of participation in government subsidy and discount programs.

KLC calculates its average weekly tuition rate as the actual tuition charged at centers that are open at the calculation date, net of discounts, for a specified time period, divided by average "full-time equivalents," or "FTEs" for the related time period. KLC's FTEs are calculated by dividing net revenue by the center's undiscounted average pre-school tuition rate. FTEs do not necessarily reflect the actual number of full- and part-time children enrolled.

Tuition rates at KLC's centers are typically adjusted once per year to coincide with the back-to-school period. KLC typically collects tuition on a weekly basis in advance, the majority of which is paid by individual families. KLC provides discounts to government agencies, employees, families with multiple enrollments, referral sources and organizations KLC partners with for its employer-sponsored centers. In its employer-sponsored centers, tuition may be partly subsidized by such employers.

Approximately 20% of KLC's net revenues are derived from tuition paid at varying levels of subsidy by government agencies. KLC's revenues are therefore affected by changes in the levels of government support for education, which are negatively impacted by weak economic conditions and resulting budget pressure at federal, state and local governments.

KLC reports comparable center revenue trends based on the centers (other than the employer-sponsored centers operated for a management fee) that were open in both periods. Comparable center net revenues do not include revenues generated from centers that have been closed or sold.

Utilization is a measure of the utilization of center capacity. KLC calculates utilization as the total actual child care revenues earned at centers that are open at the calculation date divided by the total potential child care revenue (based upon the center's undiscounted pre-school tuition rate and the center's total licensed capacity) during the related time period.

In addition to tuition charges, KLC records revenues from fees and other income in a majority of its centers. KLC charges a reservation fee, typically at half of the normal tuition charge, for any full week that an enrolled child is absent from its centers. KLC also collects registration fees and fees to cover educational supplies at the time of enrollment and annually thereafter. KLC offers tutorial programs on a supplemental fee basis in the majority of our centers in the areas of literacy and reading, foreign language, mathematics and music. KLC also offers field trips, predominantly during the summer months, for an additional charge. KLC's centers earn other miscellaneous revenue from various sources, including management fees related to certain employer-sponsored centers. In addition to its child care operations, KLC's subsidiary, KC Distance Learning, sells high school level courses via online and correspondence formats and provides related instructional services directly to private students, as well as to cyber and traditional schools and school districts.

Cost of Revenue – Trends and Drivers

KLC's costs of revenue include the direct costs related to the operations of its centers. Labor related costs are the largest component of costs of revenue. KLC's time management and scheduling systems, which enable us to adjust staffing levels for peak and reduced attendance periods, allow KLC to manage its labor productivity without adversely impacting the quality of services within its centers.

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Other costs recorded at the center level include rent, marketing, maintenance, utilities, transportation, classroom and office supplies, insurance and food. KLC's management believes its large, combined nationwide center base gives it the ability to leverage the costs of programs and services, such as curriculum development, training programs and other management processes.

During fiscal year 2005, KLC experienced a reduction in projected claims costs for its self-insurance programs. However, management anticipates that premium and claims costs will continue to reflect market forces, which are beyond KLC's control.

The Real Estate Transaction did not affect consolidated rent expense, but resulted in an increase of approximately $96.0 million in annual rent expense of KLC OpCo, which is leasing centers from KLC PropCo which now has title to substantially all of KLC's owned real property.

Other Operating Expenses

KLC's other operating expenses include the costs associated with the field management and corporate oversight and support of its centers and restructuring related expenses. Labor related costs are the largest component of KLC's general and administrative expenses.

Seasonality

New enrollments are generally highest during the traditional fall "back to school" period and after the calendar year-end holidays. KLC attempts to focus its marketing efforts to support these periods of high reenrollments. Enrollment generally decreases somewhat during the summer months and the calendar year-end holidays.

Results Discussion

Revenue increased to $1.48 billion in 2005, which represents an increase of $35.6 million over 2004. Gross margin was $340.7 million during the 52 weeks ended December 31, 2005, an increase of $11.1 million, or 3.4%, compared to the same period last year. Adjusted EBITDA during the 52 weeks ended December 31, 2005, was $238.0 million which was $6.6 million, or 2.9%, above the same period in 2004.

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KLC Consolidated		
	2004PF	2005PF
Revenue	$1,442.2	$1,477.7
Revenue Growth		*2.5%*
Payroll and other	$725.0	$734.9
Rent	113.2	121.1
Other Operating Expenses	274.4	281.0
Gross Profit	$329.6	$340.7
Adjusted EBITDA	$231.4	$238.0
Adjusted EBITDA Margin	*16.0%*	*16.1%*
Adjusted EBITDAR	$344.5	$359.1
Adjusted EBITDAR Margin	*23.9%*	*24.3%*
Other Financial and Operating Data		
Depreciation and Amortization	$97.1	$89.3
Interest Expense	89.9	89.9
Capital Expenditures	70.6	83.1
# of Centers (at year end)	2,021	1,934
Average Weekly Tuition (combined actual)	$156.61	$167.35
Utilization	61.6%	61.2%

Revenue. During the 52 weeks ended December 31, 2005, revenue increased $35.6 million, or 2.5%, over the same period in 2004. The increase was primarily due to tuition rate increases, which took effect in January 2005 and September 2005, offset by the impact of center closures and a slight decline in Utilization. However, during the third quarter of 2005 Utilization levels increased versus the same period in 2004, from 59.3% to 60.3%. This positive Utilization trend was repeated in the fourth quarter of 2005 as levels rose to 59.2% versus 58.9% in the comparable period of 2004. Management believes these improvements reflect stronger economic conditions, strong back-to-school enrollments, marketing efforts and other management initiatives and programs. ECE revenue increased $24.9 million, or 1.8%, in the 52 weeks ended December 31, 2005 compared to the same period of 2004. On a same center basis (centers opened for more than one year), revenue increased 4.4% from 2004 to 2005.

KLC Consolidated Revenue		
	2004PF	2005PF
ECE Centers	$1,394.4	$1,419.3
School Partnerships	39.8	48.5
KCDL	8.0	10.0
Total	$1,442.2	$1,477.7

Cost of revenue and gross margin. Gross margin for the 52 weeks ended December 31, 2005 was $340.7 million, or 23.1% as a percentage of sales, compared to $329.6 million, or 22.9% in the prior year. Costs of revenue include the following:

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- *Salaries, wages and benefits.* Salaries, wages and benefits were $734.9 million, or 49.7% as a percentage of sales, during the 52 weeks ended December 31, 2005, compared to $725.0 million or 50.3%, for the same period in 2004.

- *Rent.* Rent increased by $8.0 million to $121.1 million during the 52 weeks ended December 31, 2005, compared to the same period in 2004. The increase in rent was largely due to a center sale-leaseback program conducted by KinderCare during 2004, prior to its acquisition by KLC. Pro forma rent does not include $96.3 million of intercompany rent payable by KLC OpCo to KLC PropCo as a result of the Real Estate Transaction.

- *Other costs.* Other costs include costs directly associated with the centers such as business insurance, food, marketing, maintenance, utilities, transportation and classroom and office supplies. Other costs were $281.0 million during the 52 weeks ended December 31, 2005, compared to $274.4 million in the same period last year. Other costs were 19.0% of revenue during both years.

General and administrative expenses. General and administrative expenses, which include costs associated with the field and corporate oversight and support of KLC's centers, were $126.0 million during the 52 weeks ended December 31, 2005, compared to $126.4 million for the same period in 2004. General and administrative expenses included the substantial majority of estimated temporary parallel organization costs of $28.1 million and $23.3 million in 2004 and 2005, respectively, as discussed below.

Adjusted EBITDA. Adjusted EBITDA was $238.0 million during the 52 weeks ended December 31, 2005 compared to $231.4 million in 2004. The increase in Adjusted EBITDA was primarily a result of slightly higher revenue and gross margin improvements enhanced by lower general and administrative costs before non-cash SAR accruals, net of restructuring charges and parallel organization costs. The table summarizes KLC's calculation of Adjusted EBITDA as defined in KLC's existing revolving credit agreement. See "Non-GAAP Financial Measures" for a discussion of our use of performance measures and related limitations.

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KLC Consolidated		
	2004PF	2005PF
EBITDA	$194.6	$174.7
Adjustments to EBITDA		
Restructuring Charge Addback[1]	5.1	29.4
(Gains) / Losses on Sales[2]	2.1	(1.3)
(Gain) / Loss on Minority Investment	(2.1)	0.0
Dividend Income[3]	(1.8)	(0.5)
SAR Plan[4]	0.0	9.9
IDS Expenses[5]	2.7	(0.0)
Estimated Parallel Organization Costs[6]	28.1	23.3
Management Fee[7]	2.5	2.5
Adjusted EBITDA	$231.4	$238.0

[1] *Represents one-time, non-recurring costs of integrating the AER and KinderCare acquisitions in 2004 and 2005, respectively.*

[2] *Represents the non-cash impact of (gains) / losses on the sales of centers.*

[3] *Income earned as a result of ownership in a minority investment.*

[4] *Non-cash expenses related to KSI's Stock Appreciation Rights Plan attributed to KLC's employees and payable by KSI in cash upon settlement. $7.8 million has been paid pursuant to SARs in connection with the departure of KLC's chief executive officer in 2006.*

[5] *In 2004, KinderCare contemplated an offering of income deposit securities. Costs here reflect the costs incurred as a result of the contemplated offering.*

[6] *Result of the costs of operating duplicative infrastructure at KLC and KinderCare following the KinderCare acquisition.*

[7] *Management fee paid to affiliate entities.*

Restructuring charges. Restructuring charges during the 52 weeks ended December 31, 2005, were $29.4 million. Included in the $29.4 million of non-recurring integration costs were $11.0 million of severance costs that resulted primarily from the closure of KLC's former corporate offices at Golden, CO. Additional restructuring costs in 2005 were the result of consulting, temporary contract-based labor and other charges. Restructuring charges in 2004 were $5.1 million and were related to KLC's acquisition of AER in May 2003.

Parallel Organization Costs. For much of 2005 KLC was burdened with the central operations and infrastructure of both KinderCare and KLC. KLC has defined parallel organization costs as the cost of maintaining these duplicative corporate functions during the overhead rationalization associated with the KinderCare acquisition. KLC believes that approximately 70% of parallel organization costs are related to salaries. Remaining parallel organization costs are related to upkeep, maintenance and utilities at corporate facilities. During the first month of 2006 parallel organization costs had been reduced to $174,042 (annualized run-rate of $2.1 million) compared to an estimated $23.3 million in 2005.

Parallel organization costs for the 2004 fiscal year are estimated based on an annualized run-rate based on the costs incurred during the first month following the KinderCare acquisition. During that month (January 2005), KLC incurred approximately $2.3 million of parallel organization costs ($28.1 million on an annualized run-rate basis).

Interest. Interest expense in 2004 and 2005 is almost identical because both years are pro forma for the financings associated with the Real Estate Transaction, which refinanced the indebtedness incurred to finance the KinderCare acquisition. In 2005 pro forma interest expense of $89.9 million includes $5.1 million of non-cash interest expense. Actual interest expense during the 2005 fiscal year was $80.7 million which did not include $32.2 million related to the early extinguishment of debt.

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Capital Expenditures. The following table shows the breakdown in KLC's projected capital expenditures:

KLC Consolidated		
	2004PF	**2005PF**
Maintenance	$34.4	$36.6
New Centers	26.4	32.4
IT Spending and Other Capex	9.8	14.0
Total Capital Expenditures	$70.6	$83.1

In 2004 and 2005, KLC spent $34.4 million and $36.6 million, respectively on maintenance capital expenditures, which includes refurbishment of its existing centers and equipment and supplies replacement costs. In addition, KLC spent $9.8 million in 2004 on corporate infrastructure improvements, primarily IT spending compared to $14.0 million in 2005. The remainder of KLC's capital expenditures was used to expand KLC's center base through both purchases of furniture, fixtures and equipment and construction of new owned centers.

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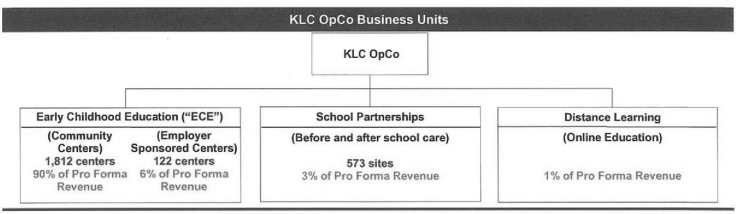
11. THE OPERATING COMPANY ("KLC OPCO")

KLC's mission is to provide a quality education to children from birth to college. KLC was formed from the combination of KLC and AER which occurred in May 2003 and the subsequent acquisition of KinderCare in January of 2005. Based in Portland, Oregon, KLC consists of (i) KLC OpCo, a collection of operating companies and (ii) KLC PropCo, a collection of special purpose subsidiaries owning substantially all of KLC's real estate.

11.1. KLC OpCo

KLC OpCo is the largest for-profit provider of ECE and care services in the U.S., the second largest provider of employer-sponsored ECE to the corporate segment in the U.S. and the largest for-profit provider of before and after school programs in the U.S. Through one of its subsidiaries, KLC OpCo also operates accredited high school distance learning programs that have served over 200,000 students since 1975. On a pro forma basis for the fiscal year ended December 31, 2005, KLC OpCo generated revenue and Adjusted EBITDA of $1,477.7 million and $149.9 million, respectively.



11.2. Early Childhood Education Unit (96% of Pro Forma FYE December 31, 2005 Revenue)

As of FYE December 31, 2005, KLC OpCo provided ECE services through its 1,812 company-operated community centers (90% of pro forma revenue) and 122 employer-sponsored centers (6% of pro forma revenue). In total the ECE Unit operated 1,934 centers in 39 states and Washington D.C., offering ECE programs primarily for children aged six weeks to five years. The programs are marketed primarily under the KinderCare, Children's World, Children's Discovery Centers, Knowledge Beginnings and Mulberry Child Care & Preschool brand names.

KLC OpCo's centers typically contain classrooms, recreational areas, kitchens and bathroom facilities. The centers usually accommodate the grouping of children according to age. The centers have outdoor playgrounds, often with separate areas designed for infants and toddlers, with the exception of some downtown urban centers that may utilize nearby parks. Each center is equipped with a variety of audio and visual aids, educational supplies, games, toys and indoor and outdoor play equipment. In addition, most of the centers are equipped with personal computers with programs specifically designed for both pre-school and school-age children. The typical center can serve between 120–140 students, although actual enrollments can be higher as some children are enrolled on a part-time basis. Children are usually enrolled on a weekly basis for either full-day or half-day sessions. Most centers provide enrolled children with meals and two snacks.

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KLC OpCo provides a wide range of quality programs that are continuously updated to reflect current thinking and to meet the needs of individual children. Programs have been developed in conjunction with nationally recognized experts in ECE and various curricula reflect the latest research in brain development. Programs stimulate the social, emotional, intellectual and physical needs of children and each program is age appropriate.

KLC OpCo's ECE facilities are generally open throughout the year, usually five days a week, from 6:30 a.m. to 6:30 p.m. New enrollments are most often highest in September and January, with the largest decrease in enrollment during holiday periods and summer months. Many centers offer summer day camp programs for children up to the age of 12. Additionally, many centers offer "back-up" care, which is offered in the event that the parent's primary child care arrangement is unavailable (*e.g.*, when an in-home provider goes on vacation). The company will provide short-term child care until the parent's child care resumes.

Community Centers

The 1,812 community centers are located in diverse demographic locations. Newly built centers tend to be located in the targeted demographic market of newer upper-middle class to upper income suburban areas with high concentrations of dual income families. In a community center, the current weekly tuition rates for full-day service range from $90 to $400 per child, depending upon the center location and the age of the child. KLC OpCo also offers tutorial programs in areas such as literacy, reading, foreign languages and mathematics in many of its centers for a supplemental fee and is exploring offering additional supplemental fee programs. Tuition is generally paid in advance on a weekly basis and, to a lesser extent, on a monthly basis. The company typically sets tuition for half-day programs at a 20% to 40% premium compared with an equal number of hours for a full-day program. Approximately 20% of tuition is paid under state and federal subsidy programs.

Employer-Sponsored Centers

As of FYE December 31, 2005, KLC OpCo operated 122 corporate or employer-sponsored centers. These centers are typically free-standing, and are located at or near the premises or campus of the employer-sponsor. These sites are different from community centers in that they usually have more square footage per child and larger staff areas. Generally, the corporate sponsor provides the constructed building. KLC OpCo currently has relationships with a diverse group of employers, including hospitals, health care facilities, government agencies, and private sector companies. Its corporate relationships include, but are not limited to, the following: AOL Time Warner, TRW, Lockheed Martin, the World Bank Group, Fox, Maytag, Northrop, TJ Maxx, the National Security Agency, the Mayo Clinic and Stanford University.

Employer-sponsored centers are operated either on a fixed-fee basis (31 centers) or on a profit-and-loss basis (91 centers). Under the former, KLC OpCo receives a fixed fee per month, typically irrespective of occupancy. In these contracts, the Company collects tuition on behalf of the employer sponsor. Under a profit-and-loss contract, KLC OpCo collects tuition for its own account, generally with no guaranteed fees from the employer. In some cases, its operations are subsidized by the employer, typically in the form of tuition subsidies, free or reduced rent, the provision of certain services such as maintenance, landscaping and janitorial services or enrollment guarantees. This enables the company to utilize the subsidies for improved staff quality and teacher / child ratios.

Contract terms typically average between one and five years. Normally the management centers are reserved for children of the corporations' employees. Some contracts provide for accepting non-employee children, for which the company can often charge a higher tuition.

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11.3. School Partnerships Unit (3% of Pro Forma FYE December 31, 2005 Revenue)

Through the School Partnerships Unit, KLC OpCo provides customized before and after school educational enrichment and recreational programs for school age and preschool children in partnership with elementary schools. KLC OpCo provides these partnership services primarily through 573 sites in 20 states. Average tuition ranges from $35–$75 per week, payable in advance. Parents account for 94% of total tuition received, while state and grant subsidies account for the remaining 6%.

These before and after school programs are typically conducted in collaboration with public schools and located on-site at public school campuses. The success of the programs has led to the development of summer camps, remedial programs, and drop-in care. Programs are operated under the Champions name. Because each program is relatively small (approximately 40 children per program), operating costs associated with running each program are minimal. Little or no capital investment is required and the contracting school typically provides on-site space for the program. Contract tenures range from one year to evergreen. They often stipulate that KLC pays minimum fees to the elementary schools for use of facilities.

KLC OpCo's November 2004 acquisition of EdSolutions, Inc. ("ESI") provided it entry into the Supplemental Education Services ("SES") tutoring business. The SES business is part of the federal No Child Left Behind Act's effort to improve the performance of students at failing schools. KLC OpCo operates 72 SES sites. ESI is approved to provide SES in 19 states and our plans call for ESI to serve as a platform for future growth for KLC.

11.4. Distance Learning (1% of Pro Forma FYE December 31, 2005 Revenue)

Through its wholly owned subsidiary, KCDL, KLC OpCo also operates accredited high school distance learning programs that have served over 200,000 students since 1975. Based in Portland, Oregon, KCDL operates Keystone National High School and iQ Academies. Keystone National High School is one of the largest and most experienced accredited high school distance learning programs in the country. Keystone is a private, diploma granting school with parents or schools paying for individual courses and/or complete curriculum. Keystone served over 14,000 students in 2005 and offers more than 60 distance learning courses. iQ Academies develops and manages online charter schools. It currently operates one school in Wisconsin, is working on the approval process for another charter in California, and has plans to begin several more charters in the next 12 months. iQ Academies provides support required to launch and operate an online high school including curriculum, instruction, technology, marketing and support. Though only 1% of KLC OpCo's pro forma revenues, KCDL is highly profitable and accounts for almost 2% of KLC OpCo's pro forma Adjusted EBITDA.

11.5. Business Strategy

KLC OpCo's strategy is to drive revenue growth and enhance profitability through a combination of the following initiatives:

- *Expansion of existing business lines*. Management believes that the opportunity exists to significantly expand the scope of its existing business lines:
  - *Community centers*. KLC OpCo has substantial experience in selecting and opening new community centers. Over the next six years KLC OpCo plans to open 195 new centers which are expected to generate approximately $200 million of gross revenue.
  - *Employer-sponsored centers*. KLC OpCo expects to continue the expansion of its employer-sponsored centers. Over the next six years KLC OpCo plans to open 124 new centers with gross revenue of approximately $120 million.

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- *Rationalize centers to improve overall strategy and quality of network*. Management closely monitors underperforming centers and looks to rationalization opportunities which generally lead to improved Utilization and higher EBITDA generation.
  - As part of its rationalization, KLC OpCo has identified 50 centers which it intends to close and will continue to evaluate underperforming centers. As a result, over the next six years KLC OpCo expects to close approximately 250 centers with a decrease in revenues of approximately $120 million. While the closure of underperforming centers decreases KLC OpCo's revenue, rationalization is expected to increase both EBITDA and Adjusted EBITDA margins.

- *Strategic acquisitions*. The childcare market remains highly fragmented with for-profit chains comprising only 5% of the entire market. There are over 386,000 family-owned and operated centers, with each providing services to fewer than 13 children. KLC OpCo believes there are many opportunities to consolidate some of the family-run centers as well as some of the larger regional providers.

- *Offer new products and services*. KLC OpCo estimates that it services more than 200,000 families in a given year. KLC OpCo's scope of operations makes it ideally positioned to market other products and services through its learning centers. KLC OpCo has already sold several additional lines of educational products and services at test locations including supplemental phonics, math, Spanish and music courses. KLC OpCo believes that product and service lines can be expanded to include additional educational and non-educational offerings such as medical insurance and student financing programs.

- *Initiation of the Spirit of Service Program*. The fundamental assumption of the Spirit of Service program is that sales are not separate from service—both are driven by relationships. To that end, the Spirit of Service program was designed to promote revenue growth by building a sales-oriented culture while increasing customer / parent engagement. Currently, KLC OpCo's management team is working with consultants from Cypress Consulting and the Gallup Organization to:
  - Understand and evaluate current practices and expectations regarding sales and service;
  - Provide reliable data to help grow enrollments through a better understanding of families who have disenrolled and KLC OpCo's current customers;
  - Develop the sales and coaching skill necessary to support requisite practices and behaviors; and
  - Institutionalize practices, systems and incentive plans to ensure a sustainable focus and culture built around sales and customer service.

11.6. Sales and Marketing

Early Childhood Care and Education

Community Centers. KLC OpCo's target market is middle-class to affluent ($70,000+ household income), highly educated parents working or residing near the center. Target parents are white-collar workers and are usually dual-income families. KLC looks for sites where it believes the market for its services will support tuition rates higher than current average rates.

Management believes KLC OpCo distinguishes its services by developing and introducing high quality curricula and programs that incorporate both learning and enjoyable activities held in a safe and child-friendly environment. KLC OpCo markets its services through online channels (including strategic click through advertisement placements), as well as traditional methods, such as display advertisements, listings in the yellow pages, newspaper advertisements, distribution of flyers at schools and community functions, and center open house events. KLC OpCo spends a large portion of its advertising budget during the summer months in anticipation of the fall enrollment period, with continued advertising throughout the year. The primary source of new enrollments is recommendations from customers in the communities in which KLC OpCo operates. Center directors are also involved in the marketing process

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by encouraging parental involvement in the centers through monthly newsletters and reports, parent-teacher conferences and parental visits to, and inspections of, the centers.

Although most of the marketing efforts are performed at the field level, corporate headquarters assists centers in developing marketing programs, designing campaigns, preparing marketing brochures, strengthening the brand name, identifying strategic partners, and providing advice on ways to advertise and market the programs at the local level. In addition, KLC OpCo is actively involved in teaching the staff and directors business enhancing skills, such as cost management, local marketing and customer relations.

Employer-Sponsored Centers. Services that KLC OpCo provides to employers include onsite and near-site center operation, backup care, discount programs, holiday care and consulting services. KLC OpCo has dedicated sales personnel focused on expanding its presence in this market. It also markets its services through relationships with consultants, attendance and presentations with clients at trade shows, networking at conferences and through industry alliances and publications. KLC OpCo responds to requests for proposals, referrals from current clients and prospects to targeted mid-market centers for transition opportunities through mailings and networking. It also targets Fortune 1000 companies for its discount and nationwide backup care services which serve large distributed workforces.

Marketing to employers or corporate sponsors largely takes place at the corporate level. KLC OpCo markets to parents through its employer sponsors and occasionally through contracted resource and referral agencies. KLC OpCo is finding that the preferred method is through electronic brochures and messages as well as dedicated websites for onsite centers and services. KLC OpCo provides hardcopy materials and promotional giveaways primarily through employer-sponsored benefit fairs and events on client campuses. The centers engage parents and potential parents through brown bag lunch seminars, open houses, and visibility tables in client cafeterias and common areas.

School Partnerships

Champions Programs. KLC OpCo positions its Champions school age, preschool and summer programs as exciting combinations of learning and fun. It relies primarily on a regional, direct sales force in effecting a two tiered sales and marketing approach. The first tier consists of selling the Champions service at the appropriate administrative level in the school. This selling generally occurs at the superintendent or principal level. Selling to administrators is necessary since the majority of Champions' programs rely solely on the use of existing school infrastructure. The sales and marketing effort in this tier involves participation in trade shows, featured articles in trade journals, trade magazine advertising and news releases. KLC OpCo believes that these efforts have been successful in heightening brand awareness, and as such, has enabled its sales force to gain access to entire districts versus individual schools.

Once a Champions program receives the endorsement of the appropriate decision-maker, the second tier of the sales and marketing effort begins, which targets the parents of children attending the sponsor school and, in some cases, nearby schools. Marketing is conducted primarily through flyers, open houses and school newsletters.

Supplemental Education Services. The sales and marketing process for SES tutoring involves several steps. First, KLC OpCo must seek approval to provide services in a state through a request-for-proposal process. This process entails detailed descriptions of the curriculum provided and how it correlates with state standards, testing and accountability, the operational model to be provided and company background information. Once approval is obtained at the state level, KLC OpCo contacts districts it is interested in serving, and requests that it be added to the list of approved providers. At the same time that it makes the initial contact with districts, it also contacts local schools, often through such schools' SES coordinator, and subsequently with the parents at each school.

Once KLC OpCo has been approved by the state, district and the schools, it competes with multiple SES providers selling to individual parents, who are the ultimate decision makers in terms of selecting a

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provider. Many providers are currently offering incentives to children and families to enroll with them and some are offering incentives to schools as well. The key challenge in marketing the SES programs to families is offering something that is appropriate and that will add educational value for families while enticing the children to participate. KLC OpCo believes there is a much larger number of children eligible for services than the number that attend programs and therefore an opportunity exists to improve marketing and outreach to families.

Identifying prospects involves targeting urban areas where there is a cluster of failing schools. Failing schools are schools that fail to meet established NCLB requirements for three years in a row. After the second year of failure the schools have to offer several services in order to prevent being named a failing school. This enables KLC OpCo to project the approximate number of schools that will be considered failing in the next school year and help identify states to pursue and markets that warrant further attention. KLC OpCo is currently authorized to provide SES in 19 states and has already begun providing SES in five of them. KLC OpCo believes the SES business provides an opportunity for growth.

On August 29, 2006, KLC acquired 100% of the membership interests in Education Station, LLC ("Education Station") from Catapult Learning LLC ("Catapult"), a subsidiary of Educate, Inc. (together with Catapult, "Educate") Education Station is a private provider of supplemental educational services under the NCLB and other educational instruction and after school services. The purchase agreement provides for an aggregate purchase price of $6.0 million with $3.0 million paid into escrow at closing, and $1.0 million payable on each of the first three anniversaries of the closing date. The amount in escrow is payable to Educate on three specific dates during the period beginning ninety days from the closing date and ending on July 31, 2007 upon the renewal by Education Station of certain contracts which were in place applicable to the 2005-2006 school year. Also on August 29, 2006, KLC and Educate entered into a technology license agreement where Educate granted a license to KLC of certain proprietary software used in providing real-time online NCLB services. The term of the license agreement is four years and provides for a license fee of $10 million payable in three installments of $3.0 million within 30 days following each of the first three anniversaries of the closing date and a final installment of $1 million within 30 days following the fourth anniversary. KLC believes that the acquisition of Education Station makes it the largest for-profit provider of supplemental education services under the NCLB in the U.S.

Distance Learning

KLC OpCo markets its distance learning products to two distinct customer groups: the home school market and schools. Purchases made into the home school market are driven by web-based marketing efforts and trade associations along with a direct mail campaign. Purchases made by schools are marketed to counselors and administrators through direct mail and telemarketing efforts.

11.7. Curriculum

KLC OpCo believes that it can increase enrollment in its centers by continuing to develop and introduce high quality curricula and programs that provide parents with meaningful reasons to choose the centers for their children over other alternatives. It has designed research-based, proprietary curricula for age-specific educational and recreational programs to develop a child's social, intellectual and physical skills and distributed curriculum manuals for each age group to its centers. These programs are used as a framework, within which individual teachers have flexibility to create daily instruction opportunities that are tailored to the needs of each class.

The curriculum covered by the "Early Foundations" program is carefully designed to support school readiness. Activities are developed and implemented based on an expansive, research-based framework of educational objectives. These objectives mirror well documented early learning standards. Frequent assessment insures both program quality and desirable child outcomes.

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The Early Foundations program focuses on providing individual learning opportunities that are flexible and appropriate to each child's development level. KLC OpCo believes that the Early Foundations program distinguishes the Company from other child care providers.

11.8. Management Team and Board of Directors

KLC OpCo is led by a highly experienced management team comprised of experts in the field of education, as well as business professionals. This combination of talent is expected to drive continued success of KLC OpCo. These individuals are also supported by a seasoned executive and middle management team with average Company tenure of ten years. The following table sets forth KLC OpCo's management team and the board of directors of its parent company, KSI. Detailed biographies can be found in Appendix A.

Management of KLC	
Name	**Position**
Elanna Yalow	Director, President and Chief Operating Officer
Mark Moreland	Executive Vice President & Chief Financial Officer
Toni Jaffe	Senior Vice President, Human Resources
Eva Kripalani	Senior Vice President, General Counsel and Corporate Secretary
Marcy Suntken	Senior Vice President, School Partnerships
Dan Frechtling	Senior Vice President, Marketing and Business Development
Sharon Bergen	Senior Vice President, Education and Training
Stephen Brown	President and Chief Executive Officer, KCDL

Non-Employee Directors of Knowledge Schools Inc. ("KSI")	
Name	**Position**
Les Biller	Retired Vice Chairman and Chief Operating Officer of Wells Fargo & Company. KUE Advisory Board
Ralph Finerman	President of RFG Financial Group, Inc.
Stephen Goldsmith	Professor of Government at Harvard University's Kennedy School of Government. Senior Vice President of KUE
Steven Green	Chairman and CEO of k1 Ventures and Greenstreet Real Estate Partners. Vice Chairman of KUE
Stanley Maron	Senior shareholder in the law firm Maron & Sandler
Lowell Milken	Chairman of KSI Board, President and Chief Executive Officer of KUE
Wendi Murdoch	Advisor to News Corporation
Jeff Safchik	Co-founder, Managing Director and Chief Financial Officer of Greenstreet Real Estate Partners. Chief Financial Officer of KUE
Richard Sandler	Shareholder in the law firm Maron & Sandler. General Counsel for KUE

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11.9. Employees

As of December 31, 2005, KLC OpCo employed approximately 40,000 non-unionized personnel. Of the total amount, 39,639 are employed at the field level (including teachers and center staff, center directors, facilities and field and regional staff) and 592 are employed at the corporate level. Given the seasonality of the child care business and the regulated teacher-student ratio that varies by age with each state, approximately 16.5% of the total field personnel are employed on a part-time basis. Teachers and teaching assistants, which account for 93% of the total employee pool, are paid on an hourly basis. Most of KLC OpCo's remaining employees, including District Managers as well as most corporate staff, are salaried. KLC believes that its relations with its employees are good.

KLC OpCo's management believes that its below-industry average turnover rates are a result of its hiring practices and closer involvement in center operations, a focus on treating teachers as educators and not just employees, and comprehensive training programs that are designed to ensure that teachers are successful. KLC OpCo believes that it has the opportunity to reduce employee turnover further through improved recruiting, training and management.

The following table presents a breakdown of employees as of December 31, 2005:

KLC Employee Breakdown	
Employee Type	**Number**
Teachers and Center Staff	37,440
Center Directors	1,874
Corporate	592
Facilities	218
Field / Regional Staff	107
Total	**40,231**

11.10. Accreditation

KLC OpCo pursues accreditation of its centers by accrediting bodies, primarily the National Association for the Education of Young Children (referred to herein as "NAEYC"), the nation's leading child care accreditation body. NAEYC accreditation criteria cover a wide range of quantitative and qualitative factors, including, among others, faculty qualifications and development, staffing ratios, health and safety and physical environment. NAEYC criteria generally are more stringent than state regulatory requirements. As of December 31, 2005, KLC OpCo had 831 or approximately 43% of its total ECE centers that were accredited by NAEYC. Of the approximately 117,000 licensed centers in the U.S., approximately 10% are accredited by NAEYC.

Management believes that substantially all of its centers' operations and policies adhere to or are substantially compliant with NAEYC accreditation requirements. Since the accreditation process is expensive, KLC OpCo intends to seek accreditation only where it believes accreditation will provide meaningful local marketing benefits or competitive advantages.

11.11. Licensing and Government Regulation

Each early childhood care and education center and most school programs must be licensed under applicable state or local licensing laws. Responsibility for licensing and compliance with government regulations is at the regional and local level. Licenses are held at the center level or by the school program and are typically good for a minimum of one year. Generally, the center or school program will

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reapply for a license on an annual basis, and that process may include a visit from the applicable state regulator. Renewal of a license is generally a fairly routine process.

In addition, each ECE center or school program is subject to a variety of state and local regulations. Although these regulations vary greatly from jurisdiction to jurisdiction, governmental agencies generally review the safety, staff qualifications, fitness and adequacy of the buildings and equipment; the ratio of staff to children; the dietary program; the daily curriculum and compliance with health and transportation standards. In most jurisdictions, these agencies conduct scheduled and unscheduled inspections of locations. Repeated failures by a location to comply with applicable regulations can subject it to sanctions that might include probation or, in more serious cases, suspension or revocation of the center's or program's license to operate and could also lead to sanctions against the Company's other centers or programs located in the same jurisdiction. In addition, this type of action could lead to negative publicity extending beyond that jurisdiction.

KLC OpCo generally seeks to operate centers and school programs in states with strict regulations in order to avoid unexpected expense and market disruption that may be caused by compliance with regulations adopted in states that previously lacked such regulations.

KLC OpCo believes that its operations are in substantial compliance with all material regulations applicable to its business. However, a licensing authority may determine that a particular center or school program is in violation of applicable regulations and may take action against that center or program and possibly other centers in the same jurisdiction. In addition, there may be unforeseen changes in regulations and licensing requirements, such as changes in the required ratio of child center staff personnel to enrolled children, which could have a material adverse effect on KLC OpCo's operations. States in which KLC OpCo operates routinely review the adequacy of regulatory and licensing requirements and implement changes which may significantly increase its costs to operate in those states.

The SES programs are operated in substantial compliance with the federal No Child Left Behind Act, as well as applicable state Department of Education regulations that vary from state to state, but generally regulate curriculum, staff qualifications, and program quality and effectiveness. KLC OpCo must receive approval from each state's Department of Education in order to qualify as an SES provider. The length of approval to be an SES provider varies, but is typically from one to five years. Repeated failure by an SES provider to comply with regulations or its request for proposal documentation may cause the provider to lose its approval.

Federal regulations and licensing requirements require compliance with minimum standards in order to qualify for participation in federal assistance programs. Under the Social Security Act, the U.S. federal government has established programs to assist low-income families with early childhood care and education expenses. These programs include the Childcare and Development Block Grant and At Risk Program. Funding is typically provided through block grants to states and counties, which then administer the programs through local agencies.

The federal Americans with Disabilities Act, referred to as the ADA, and similar state laws prohibit discrimination on the basis of disability in public accommodations and employment. Compliance with the ADA requires that public accommodations reasonably accommodate individuals with disabilities and that new construction or alterations made to commercial facilities conform to accessibility guidelines unless structurally impracticable for new construction or technically infeasible for alterations. Non-compliance with the ADA could result in the imposition of injunctive relief, fines, an award of damages to private litigants and additional capital expenditures to remedy such noncompliance. KLC OpCo has not experienced any material adverse impact as a result of these laws.

Section 21 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), provides for an income tax credit ranging from 20% to 35% of certain child care expenses subject to certain maximum limitations. The fees paid to KLC OpCo for early childhood care and educational services by eligible taxpayers qualify for the tax credit, subject to the limitations of the Code. In addition, Section 45F of the Code provides

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incentives to families and employers to offset costs related to employer-provided child care facilities. However, these tax incentives are subject to change.

KLC OpCo is also subject to the Fair Labor Standards Act, which governs such matters as minimum wages, overtime compensation and working conditions. All of KLC OpCo's employees are paid at rates equal to or higher than the federal minimum wage.

KLC OpCo is also subject to laws regulating its transportation of children. In 1998, the National Highway Traffic Safety Administration, or NHTSA, issued interpretive letters stating that automobile dealers may no longer sell 12 to 15-passenger vans intended to be used for the transportation of children to and from school by child care providers and that any vehicle designed to transport 11 persons or more must meet federal school bus standards if it is likely to be used significantly to transport children to and from school or school-related events. These interpretations and related changes in state and federal transportation regulations have affected the type of vehicle that the company may purchase for use in transporting children between schools and its centers and, in effect, required KLC OpCo to replace its remaining fleet of vans with school buses over time. These changes have increased the company's costs to transport children because school buses are more expensive to purchase and maintain and, in some jurisdictions, require drivers with commercial licenses.

11.12. Insurance

KLC OpCo's insurance program currently includes the following types of policies: workers' compensation, commercial general liability, automobile liability, property, excess "umbrella" liability, directors' and officers' liability and employment practices liability. These policies provide for a variety of coverages, which are subject to various limits, and include substantial deductibles or self-insured retentions. Special insurance is sometimes obtained with respect to specific hazards, if deemed appropriate and available at a reasonable cost. Claims in excess of, or not included within, KLC's coverage may be asserted or coverage may not be available due to insurance company failures or other reasons.

KLC OpCo maintained either a self-insured retention or a deductible for a portion of its general liability, workers' compensation, auto, property and employee medical insurance programs. It purchases stop loss coverage in order to mitigate its potential future losses. The nature of these liabilities, which may not fully manifest themselves for several years, requires significant judgment. KLC OpCo estimates the obligations for liabilities incurred but not yet reported or paid based on available claims data and historical trends and experience, as well as future projections of ultimate losses, expenses, premiums and administrative costs. While the company believes that the amounts accrued for these obligations are sufficient, any significant increase in the number of claims and/or costs associated with claims made under these programs could have a material adverse effect on the consolidated financial statements.

11.13. Legal Issues

KLC OpCo does not believe that there are any pending or threatened legal proceedings that, if adversely determined, would have a material adverse effect on its business or operations. However, it is subject to claims and litigation arising in the ordinary course of business, including claims and litigation involving allegations of physical or sexual abuse of children. Although KLC OpCo cannot be assured of the ultimate outcome of the allegations, claims or lawsuits of which it is aware, it has not historically had to pay any claims exceeding its insurance coverage, and management believes that none of these allegations, claims or lawsuits, either individually or in the aggregate, will have a material adverse effect on the Company's financial position, operating results or cash flows. In addition, it cannot predict the negative impact of publicity that may be associated with any such allegation, claim or lawsuit.

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11.14. Real Estate

As a result of a November 9, 2005 Real Estate Transaction, substantially all of the real estate owned by KLC OpCo was transferred to KLC PropCo. Although the expectation is that newly acquired real estate will be owned by KLC PropCo and leased back to KLC OpCo, KLC OpCo continues to be actively involved in new center design, development and management. In addition to development of new centers, the team is responsible for maintaining existing centers. The real estate group within KLC OpCo is headed by Wayne Pipes, Vice President.

11.15. Environmental

KLC OpCo is not aware of any existing environmental conditions that currently or in the future could reasonably be expected to have a material adverse effect on its financial position, operating results or cash flows. It has not incurred material expenditures to address environmental conditions at any property. However, it has not undertaken an in-depth environmental review of all of its owned and leased centers. Consequently, there may be material environmental liabilities of which it is unaware.

In addition, future laws, ordinances or regulations may impose material environmental liability, and the current environmental condition of the centers may be adversely affected by conditions at locations in the vicinity of those centers (such as the presence of leaking underground storage tanks) or by third parties unrelated to the company.

11.16. Summary Financial Information and Projections Discussion

The following summary historical and projected financial data should be read in conjunction with the financial statements and "Management's Discussion and Analysis of KLC's Pro Forma Results of Operations" presented elsewhere in this Memorandum. See also "Non-GAAP Financial Measures" elsewhere in this Memorandum for a discussion of the derivation and limitations of Adjusted EBITDA and Adjusted EBITDAR. The historical information is pro forma for the effects of the acquisition of KinderCare in January 2005 and the separation of KLC into KLC OpCo and KLC PropCo in November 2005, as if those transactions and related financing had occurred on January 1, 2004.

KLC OpCo's pro forma results reflect KLC's consolidated pro forma results adjusted to include $96.3 million of rent expense payable to KLC PropCo.

Projected results presented below are based on assumptions management believes to be reasonable, but which are inherently uncertain and may not be realized. KLC OpCo's ability to perform as projected depends on a number of variables that cannot be predicted with certainty and actual performance could be adversely affected by a number of factors, including those described in "Risk Factors," particularly the risk factor related to projections elsewhere in this Memorandum. Also see "Forward-Looking Statements."

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KLC OpCo Summary Historical Pro Forma and Projected Financials								
	Fiscal Year Ended December 31,							
($ in millions)	2004PF	2005PF	2006P	2007P	2008P	2009P	2010P	2011P
OPERATIONAL DATA								
Revenue	$1,442.2	$1,477.7	$1,557.8	$1,656.5	$1,769.6	$1,919.7	$2,095.8	$2,290.8
Growth		*2.5%*	*5.4%*	*6.3%*	*6.8%*	*8.5%*	*9.2%*	*9.3%*
Gross Profit	$233.3	$244.4	$290.7	$320.6	$354.0	$396.2	$448.2	$501.3
Adjusted EBITDA	$143.3	$149.9	$161.7	$179.9	$204.8	$237.5	$279.0	$320.1
Margin	*9.9%*	*10.1%*	*10.4%*	*10.9%*	*11.6%*	*12.4%*	*13.3%*	*14.0%*
Adjusted EBITDAR	$352.8	$367.4	$371.4	$391.4	$419.6	$459.7	$510.8	$568.6
Margin	*24.5%*	*24.9%*	*23.8%*	*23.6%*	*23.7%*	*23.9%*	*24.4%*	*24.8%*
Operating Income		$27.1	$78.9	$101.6	$117.8	$146.9	$179.5	$212.4
Total Interest Expense		23.5	23.6	23.5	23.4	23.3	23.1	22.9
Net Income[1]		$1.6	$31.1	$46.0	$56.9	$77.4	$98.3	$117.9
BALANCE SHEET DATA								
Cash		$118.8	$154.2	$215.8	$288.5	$373.7	$484.8	$621.2
Accounts Receivable		55.6	58.6	62.4	66.6	72.3	78.9	86.2
PP&E, Net		286.6	301.9	305.9	309.4	315.0	315.6	311.1
Accounts Payable		13.0	13.7	14.6	15.6	16.9	18.4	20.1
SELECTED CASH FLOW DATA								
Net Income (Loss)[1]		$1.6	$31.1	$46.0	$56.9	$77.4	$98.3	$117.9
+ Depreciation		47.9	54.6	56.2	61.5	67.3	74.2	80.9
+ Amortization of Intangibles		11.6	12.8	10.0	8.8	3.6	3.5	3.5
+ Amortization of Deferred Financing Fees		0.8	0.8	0.8	0.8	0.8	0.8	0.8
+ Change in Working Capital[2]		0.0	2.8	3.4	3.9	5.2	6.1	6.8
+ Change in Accrued LTIP[3]		0.0	2.6	4.0	4.5	2.4	1.1	0.6
+ Change in Accrued SAR[4]		9.9	2.1	3.1	3.2	3.7	4.7	5.6
+ Change in Other Assets		0.0	(0.6)	(0.8)	(0.9)	(1.2)	(1.4)	(1.5)
= Operating Cash Flow		**$71.9**	**$106.0**	**$122.7**	**$138.7**	**$159.3**	**$187.4**	**$214.5**
- Capital Expenditures		(83.1)	(69.9)	(60.2)	(65.0)	(72.8)	(74.8)	(76.4)
- Capitalized Lease Payments		(0.5)	(0.8)	(0.9)	(1.0)	(1.3)	(1.5)	(1.7)
= Cash for Debt Service		**$(11.7)**	**$35.4**	**$61.6**	**$72.7**	**$85.2**	**$111.1**	**$137.9**
CAPITALIZATION								
Total Debt		$276.4	$275.6	$274.7	$273.7	$272.5	$271.0	$269.3
Shareholders' Equity[5]		254.1	283.1	330.1	390.7	474.8	583.6	721.1
Total Capitalization		**$530.5**	**$558.7**	**$604.9**	**$664.4**	**$747.3**	**$854.6**	**$990.4**

[1] *Excludes equity in earnings of unconsolidated subsidiary (KLC PropCo).*
[2] *KLC has not divided change in working capital between KLC OpCo and KLC PropCo. Traditionally KLC OpCo operates with positive working capital.*
[3] *For additional detail, see the discussion below under the heading "– Long Term Incentive Plan."*
[4] *Non-cash expenses related to KSI's Stock Appreciation Rights Plan attributed to KLC's employees and payable by KSI in cash upon settlement.*
[5] *Represents book value.*

Revenue

Management projects revenue to increase at a 8.0% CAGR, from $1.6 billion in 2006 to $2.3 billion in 2011. Most of the projected growth stems from KLC OpCo's ECE segment which currently accounts for approximately 96.0% of KLC OpCo's pro forma revenue. The following table shows projected revenue by business segment:

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KLC OpCo						
($ in millions)	2006P	2007P	2008P	2009P	2010P	2011P
ECE Centers	$1,488.7	$1,572.8	$1,668.4	$1,797.1	$1,947.4	$2,111.1
School Partnerships	55.5	66.6	79.9	95.9	115.1	138.1
KC Distance Learning	13.6	17.1	21.3	26.7	33.3	41.6
Total Revenue	**$1,557.8**	**$1,656.5**	**$1,769.6**	**$1,919.7**	**$2,095.8**	**$2,290.8**

Sales Growth

From 2006 to 2011 KLC OpCo projects that revenue from the ECE centers will grow at a 7.2% CAGR. The growth forecast is based on the following assumptions:

- *Tuition growth*. KLC OpCo projects that tuition rates at existing centers will grow at approximately 4% per year for the next five years. This growth is below recent experience (6.9% in 2005). Moreover, tuition rates in the industry have been growing at average rates of greater than 4%.

- *Utilization improvement*. Management projects that recent improvements witnessed at KLC OpCo will continue. By 2011, KLC OpCo projects Utilization will have increased to 65.2%. Management believes these improvements in Utilization will be the result of expected favorable demographic trends (described elsewhere in this Memorandum), new sales training programs, re-branding efforts in selected markets combined with the opening of appropriately sized centers.

- *New centers*. KLC OpCo expects a net reduction of centers in 2006 and 2007 as it completes its integration of KinderCare and the rationalization of its properties. Beginning in 2008, KLC OpCo projects to be adding net centers.

KLC OpCo							
	2005PF	2006P	2007P	2008P	2009P	2010P	2011P
Utilization	*61.2%*	*62.2%*	*63.0%*	*63.5%*	*63.9%*	*64.5%*	*65.2%*
Average Weekly Tuition	$167.35	$173.68	$179.99	$188.37	$197.47	$206.95	$216.52
% Growth	--	*3.7%*	*3.6%*	*4.7%*	*4.8%*	*4.8%*	*4.6%*
Center Count							
Beginning of Period	2,021	1,934	1,894	1,878	1,890	1,925	1,963
New Center Additions	10	10	24	52	75	78	80
Closures	(97)	(50)	(40)	(40)	(40)	(40)	(40)
End of Period	**1,934**	**1,894**	**1,878**	**1,890**	**1,925**	**1,963**	**2,003**

Additional Products and Services

KLC OpCo plans to use its footprint of approximately 2,000 centers across the U.S. as a platform to sell additional educational (*e.g.*, supplemental phonics, math, Spanish and music courses) and non-educational (*e.g.*, health insurance, childcare financing) products and services. The sale of additional products and services is expected to generate approximately 2.2% of total revenue in 2011, which is included in the ECE center projections.

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School Partnerships

School Partnerships is projected to grow from $48.5 million in pro forma revenues in 2005 to $138.1 million in 2011. As a percentage of revenue, School Partnerships accounts for 3.3% of total pro forma revenue in 2005, and is projected to grow to 6.0% in 2011. KLC OpCo projects that growth in the School Partnerships business will be primarily driven by growth in the SES market (more school districts required to offer supplemental services), and an increase in the number of parent pay locations in the U.S.

KC Distance Learning

KCDL is projected to grow from $10.0 million in pro forma revenues in 2005 to $41.6 million in 2011. As a percentage of revenue, KCDL accounts for 0.7% of total pro forma revenue in 2005, and is projected to grow to 1.8% in 2011. KLC OpCo projects that growth in this line will predominantly come from the expansion of KCDL's direct to family business (which currently accounts for approximately 90% of pro forma revenue) and the expansion of states to digital high school courses (which KLC believes it is in a position to provide on an outsourced basis).

Gross Margin

KLC OpCo's pro forma gross profit is projected to increase from $244.4 million in 2005 to $501.3 million in 2011. The growth in gross profit is projected to be largely driven by increased center efficiency as a result of improved Utilization, continued tuition increases and the closure of underperforming centers and shift in the revenue mix to more profitable business lines (*i.e.*, more employer-sponsored centers, KCDL, ancillary products and services). KLC OpCo's gross margin is projected to improve from approximately 16.5% of total revenues in fiscal year 2006 to 21.9% in fiscal year 2011 as a result of these factors.

Selling, General and Administrative Expenses

Due to the relatively fixed nature of KLC OpCo's selling, general and administrative (SG&A) expenses, KLC OpCo projects that SG&A will increase at a rate of 4.5% annually after 2006. Additionally, management estimates that there will be a one-time increase of $2.0 in SG&A related to the expansion of the SES business in 2007.

Adjusted EBITDA and Adjusted EBITDA Margins

KLC OpCo projects improving pro forma Adjusted EBITDA from $149.9 million in fiscal year 2005 to $320.1 million in fiscal year 2011. Pro forma Adjusted EBITDA margin is expected to improve from 10.1% in fiscal year 2005 to 14.0% in fiscal year 2011. This projected margin improvement reflects the combination of increasing sales and margin improvements outlined above. The table below shows the calculation of pro forma Adjusted EBITDA.

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KLC OpCo							
	2005PF	2006P	2007P	2008P	2009P	2010P	2011P
EBITDA	$86.6	$146.3	$167.8	$188.1	$217.8	$257.1	$296.8
Adjustments to EBITDA							
Restructuring Charge Addback[1]	$29.4	$6.3	$0.0	$0.0	$0.0	$0.0	$0.0
(Gains) / Losses on Sales[2]	(1.3)	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Income[3]	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0
SAR Plan[4]	9.9	2.1	3.1	3.2	3.7	4.7	5.6
Estimated Parallel Organization Costs[5]	23.3	2.0	0.0	0.0	0.0	0.0	0.0
Management Fee[6]	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Long Term Incentive Plan[7]	0.0	2.6	6.6	11.1	13.5	14.6	15.2
Adjusted EBITDA	$149.9	$161.7	$179.9	$204.8	$237.5	$279.0	$320.1

[1] *Represents one-time non-recurring costs of integrating AER and KinderCare acquisitions in 2004 and 2005 respectively.*

[2] *Represents the non-cash impact of (gains) / losses on the sale of centers.*

[3] *Income earned as a result of ownership in a minority investment.*

[4] *Represents accruals related to KSI's SAR plan. Approximately $7.8 million has been paid pursuant to SARs in connection with the departure of KLC's chief executive officer in 2006.*

[5] *Result of the costs of operating duplicative infrastructure at KLC and KinderCare following the KinderCare acquisition.*

[6] *Management fee paid to affiliate entities.*

[7] *For more information, see the discussion below under the heading "– Long Term Incentive Plan."*

Long Term Incentive Plan

Our Adjusted EBITDA projections do not include the effect of any payments that may be made pursuant to our Long Term Incentive Compensation Plan. Under this new plan, which provides performance-based incentive compensation awards beginning in 2006 based on our performance against specific Adjusted EBITDA targets, we will accrue expenses ranging from $2.6 million in 2006 to $15.2 million in 2011 if our Adjusted EBITDA meets the projections set forth in this Memorandum. Each award is payable at the end of three years based on performance and subject to continued employment (with certain exceptions). The accrued expenses associated with an award in each period are non-cash, subject to cash settlement when and if the award for that period is earned at the end of the third year. The actual expenses could be higher or lower depending on whether actual Adjusted EBITDA performance exceeds or is less than the amounts projected herein.

Working Capital

KLC OpCo does not expect revenue or expenses to have a meaningful impact on working capital ratios in the future.

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Capital Expenditures

The following table shows the breakdown in KLC OpCo's projected capital expenditures:

KLC OpCo						
($ in millions)	**2006P**	**2007P**	**2008P**	**2009P**	**2010P**	**2011P**
Maintenance	$41.1	$40.8	$41.0	$41.8	$42.6	$43.5
New Centers (Furniture, Fixtures &Equipment)	10.1	7.2	15.6	22.5	23.4	24.0
IT Spending and Other Capex	18.6	12.2	8.4	8.6	8.8	9.0
Total Capital Expenditures	**$69.9**	**$60.2**	**$65.0**	**$72.8**	**$74.8**	**$76.4**

Between 2006 and 2011, KLC OpCo projects to spend between $41 million and $44 million annually on maintenance capital expenditures (approximately $22,000 on a per center basis), which includes refurbishment of its existing centers and equipment and supplies replacement costs. In addition, KLC OpCo expects to spend approximately $19 million in 2006 on corporate infrastructure improvements, primarily IT spending. The remainder of KLC's OpCo capital expenditures is projected to be used to expand KLC OpCo's center base. Beginning in 2007 KLC projects that it will only open leased centers; KLC OpCo believes that its cost of furnishing each center will be approximately $300,000 per center.

11.17. Debt Summary

The table below shows KLC OpCo's outstanding debt as of December 31, 2005.

KLC OpCo Debt Capitalization	
($ in millions)	**12/31/05**
Cash	$118.8
Revolver[1]	$0.0
Capital Leases	16.4
Senior Subordinated Notes	260.0
Total KLC OpCo Debt	$276.4
Net Debt[2]	$157.6

[1] *KLC OpCo has a $100 million revolver, primarily used to support outstanding letters of credit.*

[2] *Represents total debt less cash.*

11.18. Terms of Revolving Credit Facility

In November 2005, KLC entered into a revolving credit facility (the "Revolver") with a syndicate of financial institutions consisting of a $100.0 million five-year revolving credit facility under which revolving and swingline loans may be made, and letters of credit may be issued in amounts up to $75.0 million. The Revolver is used for KLC's working capital and general corporate requirements. At December 31, 2005, KLC had no revolving loans outstanding and approximately $46.6 million in letters of credit outstanding under the Revolver. KLC pays a commitment fee equal to 0.50% per annum on the undrawn portion available under the Revolver and a fee of 1.25% per annum of the daily amount available to be drawn under outstanding letters of credit.

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Borrowings under the Revolver will generally bear interest based on a margin over, at KLC OpCo's option, either the base rate (generally the applicable prime lending rate, as announced from time to time) or the reserve adjusted LIBOR rate. The applicable margin for revolving loans will be 0.25% for base rate loans and 1.25% for reserve adjusted LIBOR loans. KLC is permitted to voluntarily prepay principal amounts outstanding or reduce commitments under the Revolver at any time, in whole or in part, without premium or penalty.

The Revolver is fully and unconditionally guaranteed by KSI and on a joint and several basis by most of KLC's direct and indirect domestic subsidiaries within KLC OpCo. The Revolver and guarantees are secured by first priority security interests in, and liens on, substantially all of KLC OpCo's and the guarantors' assets and first priority pledges of all the equity interests owned by KSI in KLC and owned by KLC in its direct and indirect domestic subsidiaries in KLC OpCo and 66% of the equity interests owned by KLC in its non-domestic subsidiaries.

The revolving credit facility contains customary affirmative and negative covenants for financings of its type (with customary exceptions). The financial covenants include: a minimum fixed charge coverage ratio test; a minimum leverage ratio test; a minimum interest coverage ratio test; and a minimum EBITDA test.

Operating covenants limit KLC's and its restricted subsidiaries, and in certain cases, KSI's ability to (among others): incur additional debt; incur liens or other encumbrances; make investments; make acquisitions; incur certain contingent liabilities; make certain restricted junior payments and other similar distributions; enter into mergers, consolidations and similar combinations; sell assets or engage in similar transfers; open new learning centers; engage in transactions with affiliates; enter into sale-leaseback transactions; engage in businesses other than those in which KLC and its restricted subsidiaries and KSI were engaged at the time of the closing of the Revolver and other related or ancillary businesses; amend certain material agreements; prepay subordinated debt; sell or discount receivables; and dispose of any equity securities in its subsidiaries.

11.19. Terms of Senior Subordinated Notes

In February 2005, KLC sold $260.0 million in aggregate principal amount of 7¾% Senior Subordinated Notes due February 1, 2015 (the "Notes") in connection with the KinderCare acquisition and related financing transactions. The Notes bear interest at the rate of 7¾% per year, payable semi-annually, in arrears, on February 1 and August 1 of each year.

KLC may redeem the Notes, in whole or in part, on or after February 1, 2010 at certain pre-set redemption prices, plus any accrued and unpaid interest. On or prior to February 1, 2010 KLC may redeem the Notes in whole, but not in part, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus an applicable premium. In addition, on or prior to February 1, 2008 KLC may redeem up to 35% of the aggregate principal amount of the Notes with the net proceeds of one or more qualified equity offerings.

Subject to KLC's right to redeem the Notes, upon a change of control event, holders of the Notes may require KLC to repurchase all or a portion of the Notes at a purchase price of 101% of their principal amount, plus accrued and unpaid interest.

KLC's obligations under the Notes are fully and unconditionally, and jointly and severally, guaranteed on a senior subordinated basis by most of KLC's domestic restricted subsidiaries within KLC OpCo.

The indenture governing the Notes contains covenants that limit KLC and its restricted subsidiaries' ability to, among other things: (a) pay dividends, redeem capital stock and make other restricted payments and investments; (b) incur additional debt or issue preferred stock; (c) enter into agreements that restrict KLC subsidiaries from paying dividends or other distributions, making loans or otherwise transferring assets to

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KLC or to any other subsidiaries; (d) create liens on assets; (e) engage in transactions with affiliates; (f) sell assets, including capital stock of subsidiaries, except permitted real estate transfers and other permitted transfers; and (g) merge, consolidate or sell all or substantially all of KLC's assets and the assets of KLC's subsidiaries except permitted real estate transfers and other permitted transfers.

11.20. Stockholders Agreement of Knowledge Schools, Inc.

KLC is a wholly owned subsidiary of KSI, and KSI pursues no other businesses independent of holding KLC's stock/equity. KSI entered into a Stockholders Agreement on May 9, 2003 with Knowledge Universe Learning Corp. (the "KSI Parent") and its minority stockholders (the "Stockholders"). The Agreement provides (a) the KSI Parent (and/or any "Parent Entities" designated by the KSI Parent, which include the KSI Parent and/or certain of the Principals and certain affiliates of the KSI Parent and the Principals) with a right of first refusal over proposed transfers of other Stockholders' shares, subject to certain exceptions; (b) Stockholders, to the extent they are accredited investors, with a right to invest in new issuances of KSI shares; (c) Stockholders with tag-along rights in connection with a transfer of KSI common stock by any of the Parent Entities resulting in the Parent Entities owning less than 60% of KSI common stock then outstanding, or a transfer of securities by any of the Parent Entities resulting in the Parent Entities owning less than a majority of KSI common stock then outstanding. Stockholders are also subject to a drag-along provision, pursuant to which they may be required to sell a pro rata portion of their shares in the event of a proposed transfer of a majority of KSI common stock then outstanding. Each Stockholder and the KSI Parent are entitled to receive certain financial information from KSI. The Agreement terminates upon a public offering of KSI, at the option of the KSI Parent upon a sale of KSI, or by written agreement of the parties. Knowledge Universe Learning Corp. was liquidated on October 27, 2004 and the shares of KSI were distributed on that date to its sole stockholder, KUE Inc.

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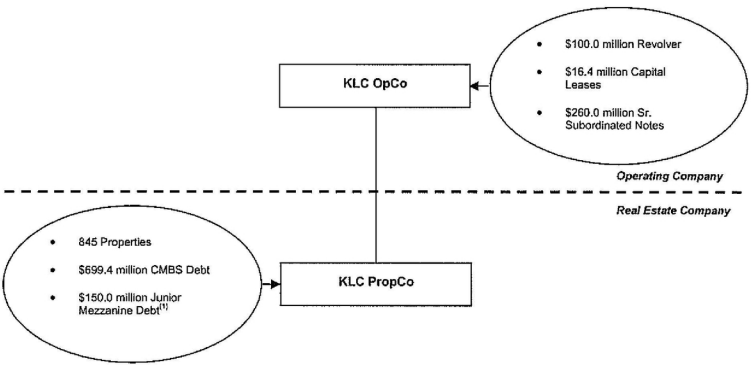
12. THE REAL ESTATE COMPANY ("KLC PROPCO")

On November 9, 2005, KLC transferred ownership of 845 ECE centers into wholly owned, bankruptcy remote subsidiaries, which are referred to as KLC PropCo. In October 2005, 713 of the centers were independently appraised at approximately $1.1 billion.[36] KLC PropCo then issued $700 million of CMBS debt secured by the 713 appraised centers and the stock of the CMBS borrower, and $150 million of junior mezzanine debt, the proceeds of which were used to repay KLC OpCo debt. The table below summarizes the revised corporate structure at KLC:



(1) Represents face value; book value is approximately $147.3 million.

With 845 ECE centers in 37 states (as of December 31, 2005), KLC PropCo believes it is the largest private owner of education real estate assets in the world. The real estate portfolio is geographically diversified without significant concentrations or ties to any single part of the U.S. KLC PropCo leases its centers to KLC OpCo for an aggregate annual rent of $96.3 million. The lease agreement, which was signed in November 2005, carries an initial term of 15 years with two extensions available for five years each and an escalation of rent by the lesser of 7% or the CPI every fifth year. All of the properties have been leased to KLC OpCo on a "triple-net" basis, requiring KLC OpCo to fund all property taxes, insurance expenses related to the properties and all maintenance capital expenditures. For the fiscal year ended December 31, 2005, KLC PropCo generated pro forma rental revenue of $96.3 million and EBITDA of $88.1 million.

12.1. KLC PropCo Strategy

- KLC PropCo was separated from KLC OpCo to create a flexible vehicle to address the growing opportunity in education related real estate. The ongoing need for facility-based education is driving increased demand for real estate assets that can accommodate the facilities.

[36] *Actual appraisal was for 713 centers and the appraised value was $1.1 billion. The $1.25 billion referred to within this Memorandum is achieved by taking the independent appraisal valuation methodology and extrapolating it to the remaining 132 centers.*

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- Leverage Greenstreet Real Estate Partners' significant expertise:
  - KLC believes it is able to better maximize the potential of its real estate assets by having them managed by a dedicated and highly experienced team at Greenstreet Real Estate Partners rather than having them managed at the operating company level.
- Cash generated will be reinvested in acquiring more assets.
- Diversify the real estate portfolio:
  - The Greenstreet Real Estate Partners team is actively looking at diversification and reinvestment opportunities for the real estate portfolio. The diversification strategy will include some opportunistic investments in non-education related real estate assets.

12.2. Management Team

KLC PropCo is managed by Greenstreet Real Estate Partners through a long-term agreement. Greenstreet Real Estate Partners has a highly experienced management team to guide the continued acquisition and diversification of the real estate portfolio. The management team includes Steven Green, Chairman and CEO of Greenstreet Real Estate Partners, Jeffrey Safchik, COO and CFO and Steven Cox, Executive Vice President Real Estate. Greenstreet Real Estate Partners controls a significant portfolio of owned and self-managed real estate and has extensive experience in corporate transactions involving owned real estate. Greenstreet Real Estate Partners operates a private real estate equity platform, having made in excess of $850 million in acquisitions and with assets currently under management (excluding KLC PropCo) of $540 million. It has owned and managed in excess of 10 million square feet of shopping centers with value in excess of $1 billion. The principals of Greenstreet Real Estate Partners each have in excess of 20 years in real estate and capital markets. Their biographies can be found in Appendix A.

12.3. Description of the Real Estate Assets

The highly diversified portfolio includes 845 properties in 37 states. The properties are primarily one story wood-framed buildings totaling 5,119,320 sq. ft. Some of the larger state concentrations include Texas, California, Illinois and Virginia. No single state accounts for more than 11% of the total centers (see the Figure below for details on the geographic distribution). The properties are single-tenant stand-alone buildings. The average age of the properties is approximately 15 years with 22% of the portfolio built after 1991 and approximately 6% of the facilities being constructed prior to 1979. The centers' trailing 12 month Utilization was 58.9% as of December 31, 2005.

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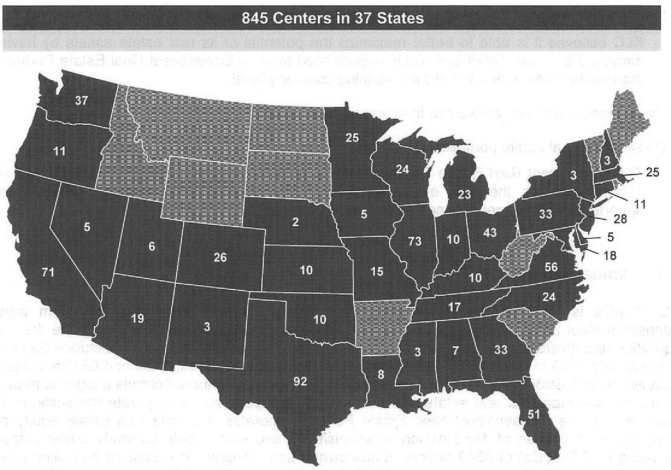

12.4. Summary Financial Information and Projections Discussion

The table below shows KLC PropCo pro forma historical results for 2005 assuming the division of KLC OpCo and KLC PropCo in the series of transactions completed in November 2005 (the "Real Estate Transactions") and related financing, together with the lease of KLC PropCo-owned centers to KLC OpCo, occurred on January 1, 2004. Projected results presented below are based on assumptions management believes to be reasonable, but which are inherently uncertain and may not be realized. KLC PropCo's ability to perform as projected depends on a number of variables that cannot be predicted with certainty and actual performance could be adversely affected by a number of factors, including those described in "Risk Factors," particularly the risk factor related to projected financial statements, elsewhere in this Memorandum. Also see "Forward Looking Statements."

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KLC PropCo Summary Historical Pro Forma and Projected Financials							
	Fiscal Year Ended December 31,						
($ in millions)	2005 PF	2006P	2007P	2008P	2009P	2010P	2011P
Rental Revenue from KLC OpCo	$96.3	$96.3	$96.3	$96.3	$96.3	$96.3	$103.0
Other Rental Revenue[1]	0.0	0.0	4.6	7.0	9.4	12.1	15.0
Total Revenue	**$96.3**	**$96.3**	**$100.9**	**$103.3**	**$105.7**	**$108.4**	**$118.0**
Operating Expenses	8.3	8.3	8.3	8.3	8.3	8.3	8.3
EBITDA	**$88.1**	**$88.1**	**$92.6**	**$95.0**	**$97.4**	**$100.1**	**$109.8**
DEPRECIATION & AMORTIZATION							
Depreciation	$29.8	$27.0	$26.1	$25.0	$23.8	$22.4	$22.4
Depreciation From New Real Estate	0.0	0.0	2.8	4.2	5.7	7.3	9.1
Operating Income	$58.6	$61.1	$63.7	$65.8	$68.0	$70.4	$78.3
INTEREST EXPENSE							
KLC PropCo Debt	$64.3	$64.3	$63.9	$63.5	$63.2	$62.8	$62.5
Deferred Financing Fees	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Total Interest Expense	$66.4	$66.3	$66.0	$65.6	$65.2	$64.9	$64.5
Interest Income	1.1	1.1	0.2	0.2	0.2	0.2	0.2
Net Income	**($7.0)**	**($4.2)**	**($2.0)**	**$0.4**	**$2.9**	**$5.8**	**$14.0**
BALANCE SHEET DATA							
Cash and Equivalents	$24.5	$5.0	$5.0	$5.0	$5.0	$5.0	$5.0
Total Debt[2]	849.4	844.7	839.9	835.3	830.6	826.0	815.8
Net PP&E	687.1	715.6	715.5	715.8	718.6	724.5	740.3
SELECTED CASH FLOW DATA							
Net Income (Loss) to Common	($7.0)	($4.2)	($2.0)	$0.4	$2.9	$5.8	$14.0
+ Depreciation	29.8	27.0	26.1	25.0	23.8	22.4	22.4
+ Real Estate Reinvestment Depreciation	0.0	0.0	2.8	4.2	5.7	7.3	9.1
+ Amortization of Financing Fees	2.1	2.1	2.1	2.1	2.1	2.1	2.1
+ Non-Cash Interest Expense	2.3	2.3	2.3	2.3	2.4	2.4	2.4
+ Change in Working Capital	NA	0.0	0.6	0.3	0.3	0.3	1.2
+ Change in Other Assets Held for Sale	NA	15.8	0.0	0.0	0.0	0.0	0.0
+ Change in Other Assets	NA	0.0	(0.7)	(0.4)	(0.4)	(0.4)	(1.5)
+ Change in Other Liabilities	NA	0.0	4.8	2.5	2.5	2.8	10.1
= Operating Cash Flow	**$27.1**	**$43.0**	**$35.9**	**$36.4**	**$39.3**	**$42.6**	**$59.8**
Cash Reinvested in New Real Estate[1]	$0.0	$55.5	$28.9	$29.4	$32.3	$35.6	$47.2

[1] *Assumes reinvestment of all excess cash above $5.0 million at an 8.25% cap rate.*
[2] *Junior Mezzanine debt is recorded at face value. Book value is approximately $147.3 million.*

Rental Revenue

Management projects rental revenue to increase at a 4.2% CAGR, from $96.3 million (the annual rent payable pursuant to its leases with KLC OpCo) in 2006 to $118.0 million in 2011. The growth stems from KLC PropCo's reinvestment of excess cash flow in additional real estate and rent increases in the properties leased to KLC OpCo as described below:

Intercompany Rent. KLC PropCo currently leases 847 properties (845 childcare centers) to KLC for a total annual rent payment of $96.3 million. The rent on the properties is fixed for the first five years of the lease, at which point it increases by the lesser of the CPI growth over the five years or 7%.

Additional Real Estate. KLC PropCo has projected that it will invest all excess cash (anything over $5.0 million) in additional real estate. The additional real estate may be comprised of either educational or non-educational assets, but will not be leased back to KLC OpCo. KLC PropCo has projected that it will invest its capital at an 8.25% cap rate.

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Real Estate Company Operating Expenses

Greenstreet Real Estate Partners will operate all of the real estate investment functions on behalf of KLC PropCo as detailed in the management agreement. See "Related Party Transactions."

12.5. Debt Summary

The table below shows KLC PropCo's outstanding capitalization as of December 31, 2005.

KLC PropCo Debt Capitalization	
($ in millions)	**12/31/05**
Cash	$ 24.5
CMBS Debt	$699.4
Junior Mezzanine Debt[1]	150.0
Total KLC PropCo Debt	$849.4
Net Debt[2]	$824.9

[1] *Represents face value; book value is approximately $147.3 million.*

[2] *Represents total debt less cash.*

12.6. Terms of the CMBS Debt

KLC PropCo has $699.4 million of CMBS debt which was arranged in connection with the separation from KLC OpCo. KLC PropCo is required to pay interest in cash on a monthly basis at a rate of 5.62% and must meet scheduled amortization requirements on a monthly basis and maturing December 1, 2015.

The CMBS debt consists of a $649.5 million mortgage loan and a $50.0 million senior mezzanine loan secured by 713 childhood education centers. The CMBS debt is nonrecourse KLC OpCo.

Each of the centers securing the mortgage loan is leased to KLC OpCo pursuant to a master lease. KLC PropCo has entered into asset management agreements with Greenstreet Real Estate Partners (formerly Greenstreet Realty Partners, L.P.) pursuant to which Greenstreet Real Estate Partners provides asset management and consulting services for these centers to KLC PropCo. KLC PropCo has the right under certain circumstances to release, substitute, sell and/or reinvest in properties securing the mortgage loan.

Prepayment of the CMBS debt is prohibited through January 1, 2007, after which prepayment is permitted in whole or in part, subject to a prepayment premium equal to the greater of 1% or an amount obtained based on a discount to treasury securities. After June 1, 2015, the CMBS debt may be prepaid in whole without premium or penalty.

The CMBS debt contains provisions that require KLC PropCo to reserve with the lender of the CMBS debt 50% of excess cash flow generated from the CMBS centers if EBITDA (as adjusted) for KLC OpCo falls below certain levels and 100% if EBITDA (as adjusted) for KLC OpCo falls below certain other levels.

12.7. Terms of the Junior Mezzanine Debt

The Junior Mezzanine debt has a face value of $150 million (and was purchased for approximately $147.0 million, reflecting a 2% discount to face value), substantially all of which was provided by the

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Principals and their affiliates in connection with the Real Estate Transaction. The Junior Mezzanine debt is subordinated to the new CMBS debt. Cash interest is payable on the Junior Mezzanine debt at a rate of 15.13% and payable in kind at a rate of 1.50%. The Junior Mezzanine debt matures in May of 2016. Interest paid in kind may not be paid in cash until the CMBS debt is paid in full. The Junior Mezzanine debt is nonrecourse to KLC OpCo.

Prepayment of the Junior Mezzanine debt is prohibited through November 9, 2010, after which prepayment is permitted in whole or in part, subject to a prepayment premium equal to 8.32% for prepayments in the first year, 6.66% for prepayments made in the second year, 4.99% for prepayments made in the third year, 3.33% for prepayments made in the fourth year and 1.66% for prepayments made in the fifth year. After November 9, 2015, the CMBS debt may be prepaid in whole without premium or penalty.

12.8. Terms of the Master Lease

As part of the Real Estate Transactions, in November 2005, KLC refinanced its indebtedness and divided KUE into KLC OpCo and KLC PropCo, and KLC OpCo entered into a Master Lease with KLC PropCo for 713 centers. The term of the Master Lease is 15 years and annual rent under the Master Lease is $91 million per year, subject to increases every five years. The Master Lease is a triple net lease that requires KLC OpCo to pay all operational expenses, taxes, utilities, insurance and maintenance costs with respect to the leased centers, and the Master Lease may not be terminated by KLC OpCo. KLC OpCo is required to make certain deposits or to provide letters of credit for taxes, insurance and maintenance of the properties. KLC is also required to deposit rent payments into a segregated deposit account controlled by the CMBS debt lenders. KLC OpCo has the right under certain circumstances to release and substitute properties under the Master Lease. KLC OpCo has entered into separate, substantially smaller leases of KLC PropCo's remaining properties.

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13. *k*12 INC. ("*k*12")

*k*12, headquartered in McLean, Virginia, is a curriculum company and management company for kindergarten through ninth grade (grades 10-12 currently in development). *k*12 is the largest operator of K-12 virtual schools in the world. *k*12's mission is to enable delivery of world-class education for students in grades K-12, consisting of comprehensive online and offline curriculum that supports numerous applications. *k*12 has invested more than $70 million in building a state-of-the-art curriculum offering, integrated assessment and the supporting technology delivery systems.

13.1. History

*k*12 was founded in December 1999, with the goal of leveraging technology to create the highest-quality curriculum. *k*12 launched its first offering in September 2001 for students in grades K-2. This offering was launched in conjunction with several of the world's leading education experts and included interactive lessons in Language Arts, Math, Science, History, Art and Music. *k*12 launched grades 3-5 in the fall of 2002, grades 6 and 7 in the fall of 2003, grade 8 in the fall of 2004 and grade 9 in fall of 2005. *k*12 has continually improved its production process and is now producing courses that are of higher quality and at a lower cost per lesson than it originally produced. Building the service in this modular, rolling fashion allows *k*12 to capture students at an early stage and to build out its product offerings in alignment with student progress.

13.2. Current Operations

*k*12 provides a world-class education for its students which combines a comprehensive online and offline curriculum with integrated assessments and supporting technology delivery systems. *k*12 currently provides its education to grades K-9 through more than 7,000 interactive lessons, and is in the process of developing content for grades 10-12. Today, *k*12 sells its curriculum through the following channels:

- Virtual public schools (91% of 2006E Revenue)
  - — *k*12 is the largest curriculum and management provider to virtual public schools in the U.S.
  - — *k*12 offers its curriculum directly to the rapidly growing virtual school market (projected to be offered to 24,000 students in 2007)
- District-managed virtual programs (3% of 2006E Revenue)
  - — *k*12 sells the curriculum and technology directly to school districts who mange their own virtual schools
  - — This is a fairly new initiative for *k*12 but is expected to be a larger part of total revenue over time
- School districts for traditional classrooms (3% of 2006E Revenue)
  - — *k*12's science curriculum has been piloted as the science curriculum in various school districts including Philadelphia
  - — Initial results are promising
- Direct to consumer (3% of 2006E Revenue)
  - — To parents who prefer home-schooling or want to augment or enhance their children's public or private school education

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*k*12 intends to expand the business to international markets and believes there is a significant worldwide demand for high-quality online curriculum. In the near-term it can do so by serving multinational corporations with large employee bases comprised of expatriates.

*k*12 generated $6 million of revenue in 2002, its first year of operations, growing to more than $116.0 million projected for FYE June 30, 2006.

13.3. Virtual Schools and District-Managed Virtual Programs (94% 2006E Revenue)

The past decade has seen an increase in the number of contracts and charters awarded to Education Management Organizations ("EMOs"), which manage traditional K-12 public schools on behalf of a school district ("contract schools") or manage charter schools either as the charter holder ("charter schools") or under contract with the charter holder ("contract charters"). In the early half of the 1990's, EMOs were mostly contract schools, managing traditional K-12 schools on behalf of school districts. Later, as public money became available to charter schools through the use of vouchers, these organizations moved toward charter school management and contract charter management.

A movement toward alternatives to the public school system is expected to generate substantial growth in the for-profit EMO sector. Alternative schools and alternative management programs provide a significant opportunity to improve the current educational "product." Furthermore, under the NCLB, growth in public school management is expected to continue as schools that fail to achieve "Adequate Yearly Progress" ("AYP") for four consecutive years are subject to one of the following sanctions: replacement of all or most staff including the principal, state takeover of the school, hiring an outside entity to manage the school, or becoming a charter school. *k*12 is well positioned to take advantage of these trends.

To comply with NCLB, all states submitted a plan to the Department of Education indicating baseline achievements for the 2002–03 school year and how 100% "proficiency" would be achieved by 2013–14. The law mandates that student progress and achievement be measured ("assessed") by math and reading tests that will be given to every child, every year, beginning in the 2005–06 school year. In addition, a science assessment will be added beginning with the 2006–07 school year. Under Bush administration proposals, by the 2009–10 school year, students will be tested every year from grades 3 to 11. These assessments are considered intermediate benchmarks that measure a school's ability to demonstrate "Adequate Yearly Progress" (AYP) toward meeting its own goals.

Contract Charters. Charter schools are independent public schools, designed and operated by community groups or non-profit entities, but sponsored by designated local or state educational organizations that monitor their quality and integrity. In return for a large measure of autonomy and freedom from regulation, charter schools are accountable for student academic performance.

The Center for Education Reform estimates that, in the 2004–05 school year, there were 3,345 charter schools serving nearly 894,000 students, representing an estimated 1.6% of total K-12 students. Charter schools now operate in 40 states and the District of Columbia, up from 38 in the 2003–04 school year. In the 2004–05 school year, enrollment in charter schools represented 1.6% of total K-12 enrollment and annual spending on charter schools was $7 million or 1.4% of total spending on all K-12 schools. However, in the decade of 1995–2005 the number of charter schools had grown on average nearly 13% annually while charter school enrollment increased over 20%, clearly outpacing the less than 1% average K-12 enrollment growth over the same period.[37]

*k*12 participates in the charter school business by setting up virtual public schools that it manages through a partnership with a non-profit entity. After going through the legislative process at the local or state level and obtaining a charter for a school, *k*12 sets up a non-profit organization with a principal and the right administrative team to create the school. *k*12 then enters into a contract with the non-profit organization

[37] *Source: Harris Nesbitt, Education and Training, September 2005.*

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whereby *k*12 sets up and manages the "virtual public" school. *k*12 offers an Internet-based curriculum (providing the computer hardware and all necessary materials) outside of the conventional brick-and-mortar setting of traditional public and charter schools. Where legislation has enabled such schools, state education dollars pay for children who enroll in them. Virtual schools generally generate substantially larger profits than conventional for-profit charter schools because they receive the same amount of per-student funding as their traditional public school counterparts despite not having to support a physical structure. Virtual schools enable students to receive a comprehensive curriculum along with technical assistance, teacher involvement, computer equipment, Internet access, and instructional materials, without leaving the public education system. Virtual academies are serving a diverse mix of students. With the same curriculum, *k*12 is serving both highly gifted children and children with disabilities. The self-paced nature of *k*12's curriculum and its interactivity allow *k*12 to serve a broad array of students. *k*12's students, currently in virtual schools, come from public or private schooling backgrounds, as well as home schooling backgrounds. A summary of *k*12's virtual school business is as follows:

- *k*12 manages virtual schools for students in grades K-9 in 11 states (Arizona, Arkansas, California, Colorado, Florida, Idaho, Minnesota, Ohio, Pennsylvania, Texas and Wisconsin) plus the District of Columbia. In the 2006 fiscal year, these schools had a combined enrollment of approximately 18,000 children.

- *k*12 managed schools typically produce test score results which exceed or are equal to state averages at a cost to the taxpayer that is approximately 70% less than what they would pay for traditional school.

- Virtual schools are funded primarily through local, state, and federal sources, which *k*12 expects to receive approximately $5,300 per student per school year on average. Therefore, the virtual schools provide access to *k*12's world-class service and curriculum as well as certified teachers at no cost to the family.

- While many of *k*12's virtual academies are charter schools, *k*12 has virtual schools that are not charter schools but are programs of school districts or other authorized school agencies, such as public universities and federal and state agencies.

District-Managed Schools. *k*12's district-managed virtual programs operate under the contract schools model. Although somewhat similar to the virtual public schools, contract schools are public schools operated by private organizations based on management agreements with local school boards. Unlike charter schools, contract schools do not require specific statutory authority but are created through a contract between a school management company and a school board in accordance with existing authority. *k*12 typically employs the district-managed virtual programs in states where the reimbursement rate is low. Two states where *k*12 currently has district-managed virtual programs are Kansas and Utah. The district-managed virtual programs unit is expected to grow revenue from $3 million in FY 2006 to $11 million in FY 2008.

The Pennsylvania Department of Education commissioned KPMG Consulting to study virtual education in that state. The October 2001 study stated that the Pennsylvania Virtual Charter School (which uses the *k*12 curriculum and management services) "was considered to be the highest quality program based on the curriculum analysis." *k*12 believes that the virtual school market has powerful growth prospects which are outlined below:

- **Strong reenrollment rates**. *k*12 benefits from stable demand for its curriculum and services which is reflected by current reenrollment rates of approximately 70%.

- **Increasing existing school enrollment rates**. Existing school enrollments continue to increase at double digit rates.

- **Expansion into new states**. *k*12 is currently evaluating opportunities to start new virtual schools in several additional states.

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- **Grade expansion.** *k*12 continues to expand its curriculum and services and plans to begin development of grades 10-12 in the fall of 2006.

- **ADA funding.** The level of funding generally increases at approximately 2% per year.

With four times the number of students of its next competitor, *k*12 is the largest for-profit manager of virtual schools.

Virtual Schools Managed by For-Profit Educational Management Companies				
Company	Location	Public Schools under Management	Number of which are Virtual Schools	Students in Virtual Schools
*k*12	McLean, VA	15	15	14,460
White Hat Management	Akron, OH	38	2	3,508
Connections Academy	Baltimore, MD	10	10	1,081
Pinnacle Education	Tempe, AZ	9	1	212
Sequoia Charter Schools	Mesa, AZ	11	1	160
Designs for Learning	St. Paul, MN	10	1	50

Note: Schools ranked by students in 2004–05 school-year.
Source: Harris Nesbitt based on information compiled by Education Policy Studies Research Unit at Arizona State University.

13.4. Curriculum to School Districts of Traditional Classrooms (3% 2006E Revenue)

*k*12 piloted its core elementary school science program for several school districts, including Philadelphia. The initial results of this pilot program were promising.

Case Study: William H. Hunter Elementary School

Background. In the Spring of 2004 the School District of Philadelphia wished to give a rebirth to one of its lowest performing schools, the William H. Hunter Elementary School. *k*12 was selected as a partner to provide innovative curriculum and professional development to implement a learning environment that leverages the latest technology. As part of the *k*12 implementation, the District outfitted each room with high-speed internet access, a ceiling-mounted data projection system, and interactive whiteboards. The goal was to have Hunter become one of the District's, and the Commonwealth of Pennsylvania's, first web-based public, traditional schools.

Of Hunter's 600 students, 95% qualify for the federal Free and Reduced Lunch program and 25% study English as a Second Language (ESL). Therefore, the move and the District's initiative truly marked a tremendous opportunity for both Hunter's teachers and students alike.

Scope of Services. The fall of 2004 marked the official launch of the program and the *k*12 curriculum was provided for all math, science, art and history courses. This included providing all curriculum components including text books, teacher guides, manipulatives, equipment, assessments, art supplies and all the online lessons and teaching tools for these subjects.

The Hunter teaching staff did an impressive job of effectively implementing the program. *k*12 trainers worked closely with teachers to adopt the new curriculum and to share best methods on applying the technology. Throughout the year, *k*12 trainers were invited to attend and help present ongoing staff trainings. Additionally, grade level teams and school leaders worked regularly with *k*12 to develop coherent plans for boosting student achievement.

Results / Conclusions: After the first full-year of implementing the *k*12 program, Hunter achieved impressive gains on the state math exams.[38] In third grade, there was a 46 percentage point increase (as

[38] *The Pennsylvania Department of Education mandates all public schools in the Commonwealth implement its Pennsylvania System of State Assessment (PSSA). The PSSA is a standards-based exam for measuring specific skills in math and reading, and beginning in 2006–07 science.*

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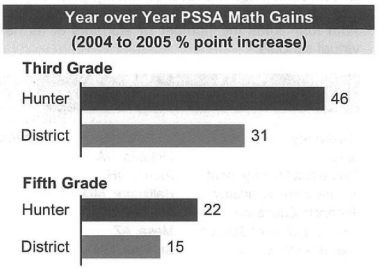
compared to a 31 point increase for the District). This was a meaningful 86% performing at or above proficient compared to the District's 52% for 2005. In fifth grade, there was 22 percentage point gain (as compared to a 15 point gain for the District).

As a result of these scores, the 3rd and 5th grade students met or exceeded the absolute AYP goals for math instruction - a first for the school. (Note: *k*12 did not supply the Reading curriculum, therefore, only Math results are applicable to the *k*12 program).

These gains are an extraordinary achievement for a school and its district. They are also difficult to maintain over time, however this goal is shared between the District and *k*12. The Hunter School accomplished these gains through the staff's hard work, commitment to their students and dedication to implementing the *k*12 program.



New programs often take two to three years to generate similar results. While *k*12 and the Hunter staff are pleased with the first year's results, it is only the beginning of a longer effort because, despite the gains, more than half of last year's fifth graders still did not score at or above their grade level. Therefore, although there is pride in the progress, the overall scores demonstrate how much more is to be done.

13.5. Direct to Consumer (3% of 2006E Revenue)

*k*12 sells its curriculum direct to consumers who either home school their children or use *k*12's curriculum to supplement their child's education. *k*12 believes that it offers children and their parents an education comparable to that offered in the nation's best public and private schools, utilizing optimal multimedia methods and research-tested approaches to learning. In addition, integrated assessments allow a parent to test his or her child's mastery of skills and enables the child to progress at the appropriate pace. Children can move faster through lessons and address more challenging problems, while other children can spend the additional time needed to master certain skills. With *k*12's high standards and integrated assessments, a parent can be confident that his or her child has mastered the subject. *k*12 considers this market a growth area.

Educating a child at home full time or part time is a time-consuming and daunting task for parents. Parents and caregivers spend a considerable amount of time searching for curriculum and trying to ensure they are teaching the material adequately to their children. *k*12 offers a solution to this challenge by offering a comprehensive curriculum for students in grades K-9, complete with specific daily lessons. Parents can purchase individual or multiple courses. Although small, the home-schooling market is growing at a healthy pace. Approximately 1.1 million students—roughly 2% of total K-12 enrollment—were home-schooled in spring 2003, according to the National Center for Education Statistics (NCES). This represents a roughly 30% increase from spring 1999. Most home school parents cited concerns about the school environment (31%), interest in providing religious instruction (30%) and overall dissatisfaction with academic instruction (16%) as their reasons for home schooling their children.[39]

The exam is also used in assessing performance toward No Child Left Behind guidelines for grades 3, 5, 9 and 11. The goal of the exam is for students to score at or above proficient levels. Student results are also used to determine a school and district's performance in meeting pre-determined goals known as Adequate Yearly Progress (AYP).

[39] *Source: Harris Nesbitt, Education and Training, September 2005.*

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13.6. Product Offering

Comprehensive K-9 Curriculum. *k*12 offers a comprehensive curriculum for grades K-9 directly to the students in its virtual academies, directly to consumers and to school districts, summer schools and after-school programs. *k*12 is creating rich and challenging proprietary educational material based on existing best-of-breed content and traditional methods enhanced by technology. Unlike most computer-based education programs, which rely solely on computers and burden students with mechanical "point and click" exercises, *k*12 uses the computer as only one among many complementary tools to open children's minds to the best books and educational material. *k*12's math, reading and writing curriculum involve a significant amount of off-line work in the form of books, audiotapes, science equipment, art supplies and more. *k*12 provides some of these materials and others will be recommended but not required.

For example, *k*12's comprehensive curriculum for students in grades K-9 includes lessons in the following subjects:

- *Language Arts.* Progresses from a focus in the primary grades on early mastery of reading using phonics-based curriculum reviewed and revised by a team of renowned experts, to, in later grades, a rich program of literature, composition, and language skills;
- *Math.* A solid early foundation in basic math based on a highly respected math curriculum and rigorous math standards;
- *History.* In grades K-4, a proprietary *k*12 program that offers a chronological overview of history, from the Stone Age to the Space Age, with integrated geography and civics; in middle school, an American History survey based on the celebrated History of the US series, and a World History survey based on a proprietary *k*12 textbook;
- *Science.* A world-class science curriculum focused on hand-on activities and basic principles driven by some of the most ambitious state science standards in the country;
- *Visual Arts.* A curriculum that combines appreciation of historical trends and masterpieces with specific skill building and many opportunities for creative work; and
- *Music.* In the elementary grades, a proprietary program that engages young children in singing, dancing and creative movement while introducing them to great works of music from around the world.

*k*12's curriculum and assessment are delivered, in part, through a series of proprietary course modules. *k*12 delivers material over the Internet, but also through other forms of media, including traditional books, video and learning kits. *k*12's course modules employ interactive text, audio, videos, CDs, and animated graphics. The Internet-based portion of *k*12's courses contains the following features:

- Integration of a diverse mix of materials—visual images and concepts, audio, videos and animated sequences, as well as high-quality written material;
- Capabilities for users to see an overview of the whole module at a glance;
- Opportunity for parents to scan and preview modules before guiding students through work;
- Integrated assessment services;
- Ability for children, parents, and teachers to follow students' progress;
- Comprehensive teaching guides with "drill down" functionality for those parents requiring more detailed instruction; and
- Proven, standards-based, technologies that provide a satisfactory experience for the current Internet infrastructure.

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*k*12 considers the majority of its entire curriculum proprietary, whether *k*12 is branding existing materials with its logo and modifying the associated lesson plans or creating the entire course from scratch. *k*12's K-8 curriculum includes thousands of lessons that consist primarily of existing, high-quality materials that *k*12 has modified to better suit the needs of student, parent and teacher.

13.7. Management and Board of Directors

The following table sets forth certain information regarding *k*12's management and directors. For more detailed biographical information, see Appendix A.

Management	
Name	**Position**
Ron Packard	Chairman and Founder / acting Chief Executive Officer and member of the Board of Directors
John Baule	Executive Vice President and Chief Financial Officer
Bror Saxberg	Senior Vice President of Learning and Content
Thomas Boysen	Senior Vice President and Chief School Officer
Charles Zogby	Senior Vice President of Education Policy
Peter Stewart	Vice President of the Charter School Division
Bryan Flood	Vice President of Government Relations
John Holdren	Senior Vice President of Curriculum

Non-Employee Directors	
Name	**Position**
Arthur Bilger	Managing Member of Shelter Capital Partners
Steven B. Fink	Chief Executive Officer of Lawrence Investments, LLC
Chester Finn	President of the Thomas B. Fordham Foundation
Lowell J. Milken	President and Chief Executive Officer of KUE
Andrew H. Tisch	Chairman of Executive Committee of Loews Corporation
Thomas Wilford	Chief Executive Officer of the J.A. and Kathryn Albertson Foundation, Inc.
Liza Boyd	Vice President Constellation Ventures / Bear Stearns Asset Management

13.8. Summary Financial Information and Projections Discussion

The following summary historical financial data and the percentages of expected 2006 revenue presented in the headings above are based on historical financial statements. The following projected financial data presented below is based on assumptions management believes to be reasonable, but which are inherently uncertain and may not be realized. *k*12's ability to perform as projected depends on a number of variables that cannot be predicted with certainty and actual performance could be adversely affected by a number of factors, including those described in "Risk Factors," particularly the risk factor related to projections elsewhere in this Memorandum. Also see "Forward-Looking Statements."

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*k*12 Summary Historical and Projected Financial Information						
	Fiscal Year Ended June 30,					
($ in millions)	2002	2003	2004	2005	2006P	2007P
Revenue	$6.7	$30.9	$71.4	$85.3	$116.0	$132.2
Growth		*362.1%*	*131.0%*	*19.5%*	*36.0%*	*14.0%*
Operating Income	($30.4)	($28.0)	($6.9)	($3.3)	$2.0	$6.4
Operating Income Margin	*(454.3)%*	*(90.4)%*	*(9.7)%*	*(3.8)%*	*1.7%*	*4.8%*
EBITDA	($28.6)	($25.1)	($2.0)	$2.2	$5.7	$12.3
EBITDA Margin	*(427.9)%*	*(81.1)%*	*(2.8)%*	*2.6%*	*4.9%*	*9.3%*
Net Income	($30.4)	($28.4)	($7.4)	($3.5)	$1.3	$5.2
Net Margin	*(454.5)%*	*(91.7)%*	*(10.4)%*	*(4.1)%*	*1.1%*	*3.9%*

Historically, the majority of *k*12's revenue has been from virtual schools and district-managed virtual programs. Traditionally, *k*12's revenue growth has been driven by three major factors; (i) the addition of grades, (ii) the addition of states and (iii) same-store growth in existing states.

In 2002 *k*12 began operations in two states (Colorado and Pennsylvania). In 2003 revenue grew to $30.9 million from $6.7 million during the 2002 fiscal year end. Growth was due to the addition of four new states (Ohio, Idaho, California and Arkansas), three new grades and same store sales growth of approximately 40%. During 2004 revenue increased by 131.0% to $71.4 million. Revenue growth during the 2004 fiscal year was due to the addition of five new states (Minnesota, Arizona, Florida, Wisconsin and the District of Columbia) and two new grades. During the 2005 fiscal year *k*12 began to concentrate on leveraging its scale to achieve profitability by slowing down curriculum production and not aggressively pursuing new states. Revenue grew at a slower rate, but profitability increased as the growth in the existing states continued. Existing state growth is more profitable than new state growth because each new state requires a significant amount of fixed overhead to be added.

The projections of financial results presented above are based on the development and expansion of *k*12's operations in existing states and grades. Key growth drivers in the near term are expected to include high same-store growth rates and *k*12's ability to leverage its existing infrastructure for margin improvement. Future drivers of growth at *k*12 which are not included in the projections are expected to include the addition of new states. In 2006, *k*12 opened in Texas, Wyoming and Washington. More recently, the Chicago school board approved a virtual public school for the city of Chicago that will be managed by *k*12. *k*12 also received a charter in the Sacramento area of California that will allow it to serve a large area in California that it cannot currently serve. *k*12 is currently continuing to pursue opportunities in several other states.

Under *k*12's current revenue recognition policy, revenues are principally earned from contractual agreements to provide on-line curriculum, books, materials, computers and to manage and operate virtual charter schools. In most contracts, *k*12 is responsible to the charter schools for all aspects of the management of schools, including but not limited to the monitoring of the academic achievement of the students, training, and compensation of school personnel; and procurement of curriculum and equipment necessary for operations of the schools. The schools receive funding on a per student basis from the state in which the charter school or school district is located. Where *k*12 has determined that they are the primary obligor for substantially all expenses under these contracts, *k*12 records the associated per student revenue received by the school from its state funding school district up to the expenses incurred in accordance with Emerging Issues Task Force (EITF) 99-19, Reporting Revenue Gross as a Principal Versus Net as an Agent. *k*12 has generally agreed to fund any operating losses of the schools in a given school year; however, *k*12 is not entitled to any revenue in excess of expenses incurred on its contracts,

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unless *k*12 incurred excess losses in prior years. For contracts in which *k*12 is not the primary obligor, *k*12 records revenue based on its net fees earned per the contractual agreement.

Under *k*12's current revenue recognition policy, *k*12 records revenue related to contracts with its virtual academies primarily on a gross basis. As a result, *k*12 has recorded certain expenses of these virtual academies in revenues and costs and expenses. These expenses were $25.4 million and $29.3 million for the fiscal years ended June 30, 2004 and 2005 respectively.

13.9. *k*12 Equity

*k*12 has issued and outstanding approximately 45.1 million shares of Series C Preferred Stock, approximately 51.5 million shares of Series B Preferred Stock and approximately 10.0 million shares of Common Stock. The Series C Preferred Stock is senior to the Series B Preferred Stock and the Common Stock and has a liquidation preference equal to the greater of (a) two times the original cost of the Series C Preferred Stock (plus any accrued dividends) or (b) the amount which would be received upon conversion of the Series C Preferred Stock into Common Stock. KUE owns approximately 40.0% of the outstanding Series C Preferred Stock. The Series C Preferred Stock has a dividend rate of 10% per annum, compounded annually with such dividends being paid in the form of additional shares of Series C Preferred Stock.

The Series B Preferred Stock is senior to the Common Stock and has a liquidation preference equal to the greater of (a) two times the original cost of the Series B Preferred Stock or (b) the amount which would be received upon conversion of the Series B Preferred Stock into Common Stock. KUE owns approximately 7.5% of the outstanding Series B Preferred Stock. The holders of the Series B Preferred Stock do not receive dividends.

KUE does not own any shares of Common Stock. However, both the Series B Preferred Stock and the Series C Preferred Stock are convertible into *k*12 Common Stock, and on an as-if-converted, fully-diluted basis KUE owns approximately 17.9% of *k*12's Common Stock.

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14. THE STRUCTURE OF KUE AND THE GENERAL PARTNER

The following information is a summary of the principal terms of the organizational documents of KUE and the General Partner. The information below is qualified in its entirety by reference to the Amended and Restated Limited Partnership Agreement of KUE and the organizational documents of the General Partner, including the Amended and Restated Memorandum and Articles of Association of the General Partner and the Agreement Among Members of the General Partner (the "Organizational Documents"), copies of which have been provided or are available upon request. In the event of any inconsistency between the terms herein and the terms of the Organizational Documents, the Organizational Documents shall control.

14.1. KUE

KUE is constituted as a Cayman Islands exempted limited partnership under the Exempted Limited Partnership Law (2003 Revision) (the "ELP Law"). A Cayman Islands exempted limited partnership is constituted by the signing of the relevant partnership agreement and its registration with the Registrar of Exempted Limited Partnerships in the Cayman Islands.

Notwithstanding registration, an exempted limited partnership is not a separate legal person distinct from its partners. Under Cayman Islands law, any property of the exempted limited partnership shall be held or deemed to be held by the general partner, and if more than one then by the general partners jointly upon trust, as an asset of the partnership in accordance with the terms of the partnership agreement. Similarly, the general partner for and on behalf of the partnership incurs the debts or obligations of the exempted limited partnership. Registration under the ELP Law entails that the partnership becomes subject to, and the limited partners therein are afforded the limited liability and other benefits of the ELP Law.

The business of an exempted limited partnership will be conducted by its general partner(s) who will be liable for all debts and obligations of the exempted limited partnership to the extent the partnership has insufficient assets. As a general matter, a limited partner of an exempted limited partnership will not be liable for the debts and obligations of the exempted limited partnership save (i) as expressed in the partnership agreement, (ii) if such limited partner becomes involved in the conduct of the partnership's business or (iii) if such limited partner is obliged pursuant to Section 14(1) of the ELP Law to return a distribution made to it where the exempted limited partnership is insolvent.

The Limited Partnership Agreement of KUE limits the liability and reduces the fiduciary duties of the General Partner to the Limited Partners of KUE (the "Limited Partners," and, together with the General Partner, the "Partners") to the full extent of applicable law. The Limited Partnership Agreement also restricts the remedies available to the Limited Partners for actions that might otherwise constitute a breach of the General Partner's fiduciary duties owed to the Limited Partners. By purchasing Units, Investors are treated as having consented to various actions contemplated in the Limited Partnership Agreement and conflicts of interest that might otherwise be considered a breach of fiduciary or other duties under applicable Cayman law.

14.2. The General Partner

The General Partner is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2004 Revision) (the "Companies Law"). The Memorandum and Articles of Association comprise the constitution of General Partner. The principal business purpose of the General Partner is to act as the general partner of KUE, to own interests in KUE and to engage in activities related thereto (the "Business Purpose"). The General Partner will not engage in material activities (including holding any material assets or incurring any material liabilities) unrelated to the Business Purpose. The General Partner has no prior operating history or prior business and will not have any substantial assets or

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liabilities other than in connection with its acting as general partner of KUE and as described in this Memorandum.

The day to day business of the General Partner will be generally be conducted by its directors, although certain matters require the approval of its shareholders pursuant to the Companies Law and the General Partner's Articles of Association. Under Cayman Islands law, a director of a Cayman Islands company is obliged to comply with a number of duties, breach of which may, in certain circumstances, result in personal liability on the part of the director. However, provided a director complies with the fiduciary duties and the requisite duties of care, diligence and skill, the fact that a decision turns out to be wrong, not beneficial, or causes loss, will not of itself necessarily establish personal liability.

As a general rule, in the absence of a contractual arrangement to the contrary, the liability of a shareholder of a Cayman Islands exempted company which has been incorporated with limited liability is limited to the amount from time to time unpaid in respect of the par value of, together with the share premium payable on, the shares he holds; the company having a separate legal personality from that of its shareholders, and being separately liable for its own debts due to third parties. However, although there is no decided Cayman Islands authority on the issue, English common law authority (which would be regarded as persuasive, though technically not binding, in the courts of the Cayman Islands), supports the proposition that it in exceptional circumstances it is conceivable that the principle of the separate legal personality of a company could be ignored and the court will "pierce the corporate veil." Examples might be a company acting as the agent or nominee of its shareholder, incorporation for an illegal or improper purpose, using a company or group of companies as a means of perpetrating a fraud, or using the separate personality of a company to circumvent a pre-existing obligation of its proprietor.

14.3. Classes of Units; Capital Contributions

Assuming that 1,000,000 Units are sold to Investors by March 31, 2007, and that the accrued dividends on the preferred limited partner units are paid in cash, approximately 2,530,000 Units will be outstanding. The Investors will own approximately 40% of KUE in the form of Common LP Units and approximately 40% of the General Partner in the form of Class A Shares.

The General Partner will be the sole general partner of KUE and will hold approximately 1,000 General Partner Units ("GP Units") in KUE, representing approximately 0.04% ownership in KUE.

The economic interest in KUE represented by the Common LP Units and the GP Units will be reduced by the Profits Participation LP Units as described below under "Distributions."

Assuming that 1,000,000 Units are sold to Investors by March 31, 2007, and that the accrued dividends on the preferred limited partner units are paid in cash, KUE LLC, controlled by the Principals, will hold approximately 1,530,000 Common LP Units representing approximately 60% ownership in KUE and 1,530,000 Class A Shares. The Common LP Units owned by KUE LLC will not be transferable, except (i) to the Principals; (ii) to affiliates of the Principals and/or (iii) to family members and/or charitable organizations in connection with the Principals' estate planning, unless combined with the corresponding percentage of Class A Shares to form Units and transferred in the form of Units in accordance with the Limited Partnership Agreement.

Knowledge Universe Holdings LLC, a Delaware limited liability company ("KUH LLC") controlled by the Principals, will hold 900 Class B ordinary shares of the General Partner (the "Class B Shares"). The Class B Shares held by the Principals and their affiliates will not be transferable, except to (i) the Principals; (ii) to the affiliates of the Principals; and/or (iii) to family members and/or charitable organizations in connection with the Principals' estate planning. The Class B Shares will automatically convert to Class A Shares if the Principals' aggregate direct and indirect economic interest in KUE is less than 15% of the outstanding Partnership Units (as defined below) of KUE.

A limited liability company ("KULG LLC-1"), of which Knowledge Universe Learning Group LLC, a Delaware limited liability company that is controlled by the Principals ("KULG"), and certain other persons

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designated by KULG are members, will be the holder of the Profits Participation LP Units (the "Profits Participation Limited Partner") with the economic rights as set forth in "– Distributions" below. KULG LLC-1 will undertake that no more than 9% of the KUE Partnership Interests outstanding immediately after the final closing of the offering or thereafter will be held directly or indirectly by or for the account of the Principals and their Affiliates through the Profits Participation LP Units of KUE. At least 2/11ths of the Profits Participation LP Units outstanding will be issued to or reserved for the benefit of members of KULG LLC-1 that are not the Principals or their affiliates, and may include employees, officers, directors, consultants and agents of KUE, its subsidiaries and joint ventures as designated by KULG. At each closing of any sale of Units to Investors where the aggregate purchase price of all Units acquired by Investors to date is less than or equal to $1.5 billion (during the Offering Period or thereafter), the Profits Participation Limited Partner will be issued a number of Profits Participation LP Units such that the aggregate shall equal at least 9/11ths of the 11% of "Partnership Units" (Common LP Units, GP Units, and Profits Participation LP Units) that may be represented by Profits Participation LP Units. Additional Profits Participation LP Units will be issued to the Profits Participation Limited Partner, at such time and in such numbers as the Profits Participation Limited Partner will direct, based upon the issuance by the Profit Participation Limited Partner of interests to members of the Profits Participation Limited Partner (who may include employees, officers, directors, consultants and agents of KUE, its subsidiaries and joint ventures as designated by KULG other than the Principals and their affiliates), the vesting schedule of such interests, and whether certain tax elections are made by the recipients of such interests; provided, however, the total number of Profits Participation LP Units shall not exceed a number equal to eleven percent (11%) of the aggregate number of Partnership Units. Any increase in the number of Profits Participation LP Units following the sale of the first $1.5 billion of Common LP Units to Investors requires a majority vote of the Independent Committee.

Subsequent to the completion of this offering, KUE may raise additional capital through the sale of equity or debt securities. KUE will not have any preferred limited partner units outstanding upon completion of this offering but KUE may issue limited partner units with preferences over the Common LP Units in the future and may amend the Limited Partnership Agreement accordingly.

Since the General Partner will have a nominal economic interest in KUE, the Class A Shares are expected to have nominal economic value. The Class A Shares are, however, intended to provide Unit holders with certain voting and other governance rights in the General Partner (as described further below) which, in turn, will control KUE.

14.4. Admission of Partners to KUE

The General Partner may admit one or more Persons as additional Partners of KUE on such terms as the General Partner will determine. Upon the admission of additional Partners, the capital accounts of the Partners will be increased or decreased, as the case may be, to reflect the gross asset values of KUE's assets pursuant to Regulation Section 1.704-1(b)(2)(iv)(g). The amount of any such increase or decrease will be allocated among the Partners who were Partners immediately prior to the admission of additional Partners as if such increase or decrease constituted income or loss, respectively, in accordance with the allocation provisions of the Limited Partnership Agreement.

Not in limitation of the foregoing, Investors admitted during the Offering Period after the first closing of this offering and after September 30, 2006 will pay an additional amount accruing at a rate of 0.67% per month calculated from the first closing date of the offering (pro-rated for partial periods) for each Common LP Units purchased, which will be distributed promptly to the holders of Common LP Units outstanding prior to such admission in proportion to the number of Common LP Units held by such holders.

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14.5. Management of KUE and the General Partner; Voting Rights

The General Partner will manage and operate KUE. Investors will have no voting rights on matters affecting KUE business with respect to their Common LP Units in KUE because the Investors will be limited partners of KUE. Notwithstanding the foregoing, subject to certain exceptions set forth in the paragraph below, KUE must obtain the consent of (a) the holders of a majority of the Common LP Units unaffiliated with the Principals to amend the Limited Partnership Agreement in a manner that is adverse to the Common LP Unit holders and (b) the holders of at least 90% of the Common LP Units unaffiliated with the Principals to amend the "Equal Merger Consideration Provision" described herein. In addition, the General Partner may not take any action to (a) alter or add to its Articles or (b) alter or add to its Memorandum with respect to any objects, powers or other matters specified therein that would adversely affect the rights of holders of Class A Shares without the affirmative vote of the holders of a majority of the Class A Shares.

Notwithstanding the foregoing, the General Partner, acting reasonably and in good faith, may amend the Limited Partnership Agreement without the consent of any Limited Partner (a) to correct any typographical or similar ministerial errors; (b) to delete or add any provision required to be so deleted or added by applicable law or any government official having jurisdiction over KUE; (c) to cure any mistake or ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein; (d) to take such actions as may be necessary (if any) to ensure that KUE will be treated as a partnership for U.S. federal income tax purposes; (e) to reflect the admission of any additional Limited Partner and otherwise to reflect such admission or an additional investment by a Limited Partner on the books and records of KUE pursuant to the General Partner's power of attorney; (f) to take such actions as may be necessary (if any) to ensure that neither of KUE or the General Partner (or any subsidiary of the foregoing) will be subject to regulation under ERISA or the Investment Company Act; (g) to take such actions as may be necessary (if any) to ensure that the General Partner (or any Subsidiary) will not be subject to the Investment Advisers Act; (h) to reflect any increase in the number of Profits Participation LP Units approved by the Independent Committee and related changes in allocation and distribution provision; (i) to make changes negotiated with Limited Partners admitted in any subsequent closing of the offering, so long as such changes do not, in the good faith determination of the General Partner and with the approval of the Independent Committee, adversely affect the rights, obligations and economic interests of the existing Limited Partners; and (j) to the extent necessary to give effect to partnership interests issued to additional Limited Partners after the Offering Period. The General Partner shall provide prompt written notice of any such amendments to the Limited Partners.

Holders of Class A Shares of the General Partner will have one vote per share. The holders of Class B Shares will have, in the aggregate, one more vote than the requisite legal vote required to approve particular matters. In addition, Investors will have the right to elect directors to the Board of Directors of the General Partner as set forth in "– Board of Directors of the General Partner" below.

14.6. Board of Directors of the General Partner

The General Partner will have a Board of Directors initially consisting of up to 13 persons.

Following the first closing of the offering and prior to the "Initial Listing" (as defined below), the outside Investor (including its affiliates) holding the greatest number of shares in the General Partner at the first closing of the offering will appoint two directors of the General Partner and the holders of the Class B Shares will appoint the remaining Directors.

Following the initial appointment of the Board, the Board may, in its sole discretion, increase the number of directors, including to accommodate investors that invest subsequent to the initial closing of the offering of the Units, provided that the outside Investor appointing two directors pursuant to the paragraph above shall have the right to appoint additional directors as required to maintain a ratio of such Investor's designees to total Board members of not less than 2/15ths.

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"Independent Directors" of the Board of Directors of the General Partner shall be individuals who (a) are not (i) a Principal, (ii) a family member of a Principal, (iii) an employee of a Principal or any entity controlled by one or more of the Principals, and (b) meet the definition of "independent director" set forth in Rule 303A.02 of the New York Stock Exchange Listed Company Manual (as if the General Partner, KUE and each of its Subsidiaries were the "listed company") , including any such individuals appointed by the Investors who otherwise satisfy the requirements of this definition.

At the time of the final closing of this offering, the General Partner will have at least two Independent Directors. After the Initial Listing and so long as consistent with contractual, listing and licensing obligations, a majority of the board of directors of the listed company will be Independent Directors.

14.7. Initial Listing; Initial Listing Process

"Initial Listing" means a listing on a recognized international securities exchange with a substantially concurrent underwritten offering generating gross proceeds of U.S. $200 million or more. "Initial Listing" refers to the Initial Listing of KUE or any successor or any subsidiary of KUE to which substantially all of KUE's assets and liabilities have been transferred or are held.

The General Partner may take and cause KUE to take such actions as the General Partner reasonably deems necessary to complete the Initial Listing on the recognized international securities exchange or exchanges selected by the General Partner, including without limitation a restructuring or reorganization or other transaction or asset transfer between or among KUE and any of its subsidiaries. If the Initial Listing involves the listing of shares or other interests of a subsidiary of KUE, in the General Partner's discretion, KUE may (i) retain some or all of KUE's interest in such subsidiary not sold in connection with the Initial Listing, (ii) distribute some or all of KUE's interest in such subsidiary not sold in connection with the Initial Listing to the Partners, (iii) offer Partners the opportunity to exchange their Common LP Units and shares of the General Partner for interests in such subsidiary, (iv) require Partners to exchange their Common LP Units and shares of the General Partner for interests in such subsidiary, or (v) any combination of the foregoing. Each Partner shall cooperate with the General Partner in connection with the foregoing, including, without limitation, (i) by providing any necessary approvals from such Partner for (a) any merger or consolidation of KUE or a subsidiary then permitted by law into an entity that is eligible to effect such Initial Listing and has no other material business, assets or liabilities, or (b) a transfer of all, substantially all or a portion of the assets and liabilities of KUE to one or more wholly-owned subsidiaries eligible to effect the Initial Listing; (ii) by exchanging such Partner's Common LP Units and shares of the General Partner for shares or other interests of the entity to be listed; (iii) by agreeing to customary "lock-up" (on terms no more restrictive than KUE LLC or its affiliates or any other Common Limited Partner which provides a "lock-up") and other agreements with underwriters; and (iv) by taking such other actions as may be reasonably requested by the General Partner, provided that, in connection with such Initial Listing, no Partner shall be required to contribute additional capital to KUE or the entity effecting the Initial Listing. The economic interests of the Profits Participation Limited Partner shall not be reduced as a result of any actions taken to effect the Initial Listing.

14.8. Mandatory Conversion of Class B Ordinary Shares

The Class B Shares will automatically convert to Class A Shares if the Principals' aggregate economic interest in KUE is less than 15% of the outstanding Partnership Units.

14.9. Distributions

Cash and other property may be distributed from KUE after payment of ordinary expenses and all amounts currently due on KUE indebtedness, funding capital expenditures of subsidiaries and joint venture, funding operating and other expenses of KUE, its subsidiaries and joint ventures and after the

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establishment of reasonably necessary reserves as determined by the General Partner. The General Partner will make distributions at such times as determined by the General Partner.

Distributions will be made in the following priority:

- First, to the Common Limited Partners and the General Partner in proportion to and to the extent of their unreturned capital contributions, but in no case may a distribution pursuant to this bullet exceed a Partner's positive adjusted capital account balance;

- Second, pursuant to Subsections (a) and (b) in proportion as follows: (a) to the Common Limited Partners and the General Partner in proportion to and to the extent of their undistributed Preferred Returns; and (b) to the Profits Participation Limited Partner in an amount equal to (i) the number of Units held by the Profits Participation Limited Partner, divided by the number of all outstanding Units other than Units held by the Profits Participation Limited Partner, multiplied by (ii) the amount distributed pursuant to Subsection (a) of this bullet, multiplied by (iii) a fraction to be provided by the Profits Participation Limited Partner; provided, however, that the fraction shall not exceed 2/11ths (unless the Independent Committee has increased the number of Profits Participation LP Units beyond the number initially authorized, in which case the maximum fraction authorized for this purpose would be increased appropriately);

- Third, to the Profits Participation Limited Partner in an amount equal to: (a) the number of Units held by the Profits Participation Limited Partner, divided by the number of all outstanding Units other than Units held by the Profits Participation Limited Partner, multiplied by (b) the amount distributed pursuant to Subsection (a) of the above bullet from the inception of KUE, multiplied by (c) a number (expressed as a fraction) equal to 1 minus the fraction used in clause (iii) of the prior bullet for the same distribution (unless the Independent Committee has increased the number of Profits Participation LP Units beyond the number initially authorized, in which case the maximum fraction for this purpose would be modified appropriately), less (d) all amounts previously distributed to the Profits Participation Limited Partner pursuant to this bullet; and

- Fourth, to the Common Limited Partners, the Profits Participation Limited Partner, and the General Partner in proportion to the number of Units held by each such Partner.

"Preferred Return" means (as to a Common Limited Partner and the General Partner) an amount equal to eight percent (8%) per annum, determined on the basis of a year of 365 or 366 days, as the case may be, for the actual number of days in the period for which the Preferred Return is being determined and be cumulative on the capital contributions of such Partners and shall be calculated from the date of such Partner's capital contribution; provided however that in the case of Common LP Units issued upon the conversion of preferred limited partner units at the initial closing of the offering, that the date of Capital Contribution shall be deemed to be the date of the initial closing of the offering solely for purposes of calculating the Preferred Return.

To the extent, at the time of any distribution or income or loss allocation pursuant to the Partnership Agreement, the 2/11ths portion of the Profits Participation LP Units has not then been fully allocated by KULG LLC-1 to employees, officers, directors, consultants and agents of KUE, its subsidiaries or joint ventures, then the distribution or income or loss allocation that would otherwise be attributable to such unallocated portion of the Profits Participation LP Units shall be reallocated among the Common Limited Partners and the General Partner in proportion to their Units for purposes of such distribution or income or loss allocation (including in connection with their Preferred Return).

Notwithstanding the foregoing, the Limited Partnership Agreement gives the General Partner the authority to override the distribution provisions of the Limitation Partnership Agreement described above in order to achieve the desired economic arrangement of KUE, which is: (i) first, to return the Partners' Capital Contributions to them; (ii) second, for the Common Limited Partners and the General Partner to receive their Preferred Return while the Profits Participation Limited Partner concurrently receives an amount equal to a fraction of the amount the Common Limited Partners and the General Partner received

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pursuant to their Preferred Return (such fraction to be equal to the portion of the Units held by the Profits Participation Limited Partner attributable to members of the Profits Participation Limited Partner other than the Principals), multiplied by the number of Units held by the Profits Participation Limited Partner divided by the number of outstanding Units other than those Units held by the Profits Participation Limited Partner; (iii) third, for the Profits Participation Limited Partner to receive an amount equal to a fraction of the amount the Common Limited Partners and the General Partner received pursuant to their Preferred Return (such fraction to be equal to the portion of the Units held by the Profits Participation Limited Partner attributable to members of the Profits Participation Limited Partner who are Principals or their affiliates), multiplied by the number of Units held by the Profits Participation Limited Partner divided by the number of outstanding Units other than those Units held by the Profits Participation Limited Partner; and (iv) finally, for all Partners (including the Profits Participation Limited Partner) to share in the profits of the Partnership in proportion to the number of Units held by them.

The General Partner may, in its discretion, when establishing the capital structure of subsidiaries or joint ventures, provide for a capital structure which provides for high-vote and low-vote (or non-voting) securities with substantially equivalent economic rights intended to correspond to the voting and economic structure of KUE (taking into account differences in legal form, such that corporate subsidiaries do not have specified distribution or liquidation rights with respect to common stock). Notwithstanding any contrary provisions below addressing equal merger consideration, to the extent securities of an entity corresponding to the voting structure of KUE are to be distributed to the Partners, the high-vote securities shall be distributed to KUE LLC for purposes of maintaining the voting structure subsequent to such distribution, as long as the securities otherwise have substantially equivalent economic rights and the high-vote securities have mandatory conversion features equivalent to the mandatory conversion features of the Class B Shares of the General Partner (as discussed below), it being understood that securities with high-voting rights shall not be deemed to have a higher economic value than securities with limited or no voting rights solely by reason of the disparity in voting rights.

14.10. Allocations of Income and Losses

In general (and subject to certain special tax and regulatory allocations), income and gains of KUE will be allocated to the Partners in the following priority:

- First, to the General Partner in an amount equal to the losses previously allocated to the General Partner pursuant to the third bullet in the losses allocation from the inception of KUE, less all income previously allocated to the General Partner pursuant to this bullet;

- Second, to the Common Limited Partners and the General Partner in proportion to and to the extent of the excess of their unreturned capital contributions over their adjusted capital account balances;

- Third, pursuant to subsections (a) and (b) in proportion as follows: (a) to the Common Limited Partners and the General Partner in proportion to and to the extent of the excess of: (i) the sum of their unreturned capital contributions and their undistributed Preferred Returns; over (ii) their adjusted capital account balances; and (b) to the Profits Participation Limited Partner an amount of income such that the amount of Income allocated pursuant to Subsections (a) and (b) of this bullet are in the same proportions as the distributions pursuant to Subsections (a) and (b) of the second bullet of 14.9 above would be in if cash, in the same amount as the income, were being distributed pursuant to the second bullet of 14.9 above;

- Fourth, to the Profits Participation Limited Partner in the amount necessary to ensure, as promptly as possible and to the extent feasible, that the cumulative net income of KUE for all periods since its inception shall have been allocated to the Common Limited Partners, the Profits Participation Limited Partner, and the General Partner in proportion to the number of Units held by each such Partner; and

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- Fifth, to the Common Limited Partners, the Profits Participation Limited Partner, and the General Partner in proportion to the number of Units held by each such Partner.

In general (and subject to certain special tax and regulatory allocations), losses and deductions of KUE will be allocated to the Partners in the following priority:

- First, to the Common Limited Partners, the Profits Participation Limited Partner, and the General Partner in proportion to and to the extent of their positive adjusted capital account balances;

- Second, to the Common Limited Partners, the Profits Participation Limited Partner, and the General Partner in proportion to the number of Units held by each such Partner; and

- Third, to the General Partner.

To the extent, at the time of any distribution or income or loss allocation pursuant to the Partnership Agreement, the 2/11ths portion of the Profits Participation LP Units has not then been fully allocated by KULG LLC-1 to employees, officers, directors, consultants and agents of KUE, its subsidiaries or joint ventures, then the distribution or income or loss allocation that would otherwise be attributable to such unallocated portion of the Profits Participation LP Units shall be reallocated among the Common Limited Partners and the General Partner in proportion to their Units for purposes of such distribution or income or loss allocation (including in connection with their Preferred Return).

Notwithstanding the foregoing, the Limited Partnership Agreement gives the General Partner the authority to override the distribution provisions of the Limitation Partnership Agreement described above in order to achieve the desired economic arrangement of KUE, which is: (i) first, to return the Partners' Capital Contributions to them; (ii) second, for the Common Limited Partners and the General Partner to receive their Preferred Return while the Profits Participation Limited Partner concurrently receives an amount equal to a fraction of the amount the Common Limited Partners and the General Partner received pursuant to their Preferred Return (such fraction to be equal to the portion of the Units held by the Profits Participation Limited Partner attributable to members of the Profits Participation Limited Partner other than the Principals), multiplied by the number of Units held by the Profits Participation Limited Partner divided by the number of outstanding Units other than those Units held by the Profits Participation Limited Partner; (iii) third, for the Profits Participation Limited Partner to receive an amount equal to a fraction of the amount the Common Limited Partners and the General Partner received pursuant to their Preferred Return (such fraction to be equal to the portion of the Units held by the Profits Participation Limited Partner attributable to members of the Profits Participation Limited Partner who are Principals), multiplied by the number of Units held by the Profits Participation Limited Partner divided by the number of outstanding Units other than those Units held by the Profits Participation Limited Partner; and (iv) finally, for all Partners (including the Profits Participation Limited Partner) to share in the profits of the Partnership in proportion to the number of Units held by them.

14.11. Tax Distributions

The General Partner may decide to make a tax distribution from KUE on or before April 1st of any year following a taxable year in which net taxable income was allocated to any Partner. If the General Partner decides to make a tax distribution, then KUE will distribute cash available for distribution, if any, to those Partners receiving an allocation of net taxable income, regardless of whether such net taxable income is actually subject to tax. The amount of net taxable income upon which such a tax distribution will be made will be based on cumulative calculation of net taxable income and net taxable loss which have been allocated to each such Partner from the inception of KUE. Any tax distributions received by a Partner will be treated as an advance and will offset against any other distributions such Partner is entitled to receive from KUE.

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Certain Partners contributed appreciated property to KUE in exchange for their interests in KUE. Under the Limited Partnership Agreement, and in accordance with Section 704(c) of the Code and the Treasury regulations thereunder, income, gain, loss, and deduction with respect to any property contributed to KUE must be allocated for tax purposes among the Partners in a manner that takes into account the variation between the adjusted basis of such property to KUE and its fair market value at the time the property was contributed to KUE. As a result of this requirement, it is possible the Partners who contributed appreciated property to KUE will be allocated more income and gains, and therefore be entitled to receive larger tax distributions under the Limited Partnership Agreement, than Partners who acquired their interests in KUE pursuant to this offering.

14.12. Fixed Overhead Payment

KUE, and/or one or more of its subsidiaries will pay $20 million annually to KULG in quarterly installments beginning July 1, 2006 pursuant to the Fixed Overhead Payment Agreement as an agreed upon payment to provide for the reimbursement of expenses and other costs incurred by KULG on behalf of KUE and its subsidiaries (including, but not limited to, salaries and bonuses of KULG employees providing services to KUE and its subsidiaries, fees and expenses relating to financing transactions and acquisitions, professional fees and other administrative expenses). To the extent that the U.S. $2,500,000 fee payable pursuant to an existing management services agreement with Knowledge Learning Corporation is paid to any person or entity other than a subsidiary of KUE, the amount payable to KULG by KUE will be reduced by the amount of such payment to such other person or entity. The $20 million annual fee will terminate upon the Initial Listing or the sale of KUE to a person or entity that is not a KUE LLC Entity.

14.13. Illiquidity Period

KUE will operate for a period of seven years from the date of the first closing of this offering. If there has not been an Initial Listing by the end of seven years from the date of the first closing of this offering, the Board of Directors of the General Partner will determine whether to pursue a sale of KUE or an Initial Listing (or a dual track process); provided, however, in the event that not less than 75% of the value of KUE at that time is represented by shares of securities listed on one or more recognized international securities exchanges and such shares have been or will be distributed as soon as reasonably practicable thereafter to the Investors and the Investors have received distributions of cash and/or such securities valued at amounts equal to or in excess of their original capital contributions, then there will be two extensions of one year's duration each (as determined by the Board of Directors of the General Partner) in order for KUE to complete either an Initial Listing or to have the remaining value of KUE represented by shares of securities listed on a recognized international securities exchange and to distribute such shares to the Investors.

If the Board determines to pursue a sale of KUE (or an Initial Listing or a dual track process), then the Principals must determine at such time whether they intend to participate as a potential bidder in the sale process.

If the Principals elect not to participate as a potential bidder in a sale process, then they will not be allowed to subsequently elect to participate as a potential bidder unless the sale process does not result in a buyer at a price the Independent Committee deems to be "fair." If the sale process results in a transaction that the Independent Committee deems to be "fair", the Principals will be required to sell their entire stake in KUE (Common LP Units and Profits Participation LP Units on an "as converted" basis) on the same terms as the Investors.

If the Principals elect to participate as a potential bidder in a sale process, then the sale process will be managed by the Independent Committee and the Principals will be precluded from participating in Board deliberations regarding the sale process. In addition, the Principals will be required to sell their entire stake in KUE on the same terms as the Investors to the winning bidder in the event the Principals do not submit the most attractive bid.

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In the event that a sale of KUE or an Initial Listing has not occurred within nine years from the date the first Investors are admitted to KUE, the Independent Committee shall determine whether to pursue a sale of KUE (or an Initial Listing or a dual track process). A majority vote of the Independent Committee on this issue shall be binding on the Board of Directors of the General Partner and will require the Board of Directors of the General Partner to pursue such action within ninety (90) days.

14.14. Equal Merger Consideration Provision

The Principals (through KUE LLC) and the Investors will receive the same consideration per Common LP Unit and/or Class A/Class B Shares in connection with a sale, merger, recapitalization, share repurchase, dividend, or any other transaction where all holders of Common LP Units or shares in the General Partner receive consideration with respect to their Common LP Units or shares, other than with respect to corporate restructuring transactions, such as a holding company merger, conversion of KUE from an exempted limited partnership to a corporation or other entity, change of domicile, or any other transaction that the Independent Committee determines is a "corporate restructuring." In any such corporate restructuring transaction, the Principals (through KUE LLC) may receive securities with high-voting rights and the Investors may receive securities with limited or no voting rights so long as the consideration received by the Principals (through KUE LLC) and the other Partners per Common LP Unit have substantially equivalent economic provisions, it being understood that securities with high-voting rights shall not be deemed to have a higher economic value than securities with limited or no voting rights solely by reason of the disparity in voting rights.

14.15. Related Party Transactions

Related party transactions include transactions between (1) any of the Principals or any affiliates or any entity controlled by any of the Principals, and (2) KUE or any direct or indirect subsidiary or joint venture of KUE involving more than $1 million (including, for the avoidance of doubt, any merger, acquisition, asset purchase or similar transaction between KUE, its subsidiaries or joint ventures, on the one hand, and any person of which fifteen percent (15%) or more of the voting stock (or similar voting interests) is owned by KUE LLC or its affiliates, on the other hand). Related party transactions do not include (a) any transaction solely between or among KUE and any of its direct or indirect subsidiaries or joint ventures in which the Principals do not have any direct or indirect ownership interest (other than as a result of their ownership in the General Partner and KUE), (b) reasonable and customary director, advisory board member, or consultant compensation and benefits (including, without limitation, retirement, health, stock option and other benefit plans) as approved by the Independent Committee, provided that any such compensation, benefits and arrangements to the Principals that do not exceed $1 million in the aggregate annually shall not be subject to such approval and customary indemnification arrangements, (c) transactions and arrangements pursuant to or contemplated by express terms of the Limited Partnership Agreement of KUE, including the "Investment in Subsidiaries" and "Co-Invest Right" described below, and any payments pursuant thereto, (d) agreements, transactions and arrangements described in "Related Party Transactions" in this Private Placement Memorandum (including any indemnification arrangements, the Fixed Overhead Payment described above and other arrangements and transactions described therein) and any amendment thereto (so long as such amendment is not disadvantageous to the Investors as a whole in any material respect) or any transaction contemplated thereby and any payments pursuant thereto, and (e) admissions of any affiliate of the Principals to KUE as a Limited Partner on terms substantially equivalent to concurrent admissions of persons that are not affiliates of the Principals.

If the size of the related party transaction is greater than $1 million and equal to or less than $50 million, then either (a) the Independent Committee must approve the transaction or (b) the transaction must be approved by the holders of a majority of the Common LP Units unaffiliated with the Principals.

If the size of the related party transaction is greater than $50 million, then the transaction must be approved by both (a) the Independent Committee and (b) the holders of a majority of the Common LP Units unaffiliated with the Principals.

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14.16. Investment in Subsidiaries and Joint Ventures

The Principals will agree (on behalf of themselves and their affiliates) that KUE will be their exclusive vehicle for equity investment opportunities in and acquisitions of for-profit companies engaged primarily in the business of pre-K through 12th grade education of children (other than companies in which the Principals or their affiliates directly or indirectly owns fifteen percent (15%) or more of the voting stock (or similar voting interests) as of the date of the first closing of the offering, which are LeapFrog Enterprises, Inc. and Nobel Learning Communities, Inc.). The Principals will not acquire or make an equity investment in such companies unless such acquisition or investment opportunity has been first presented to the Independent Committee and subsequently declined by the Independent Committee or initially pursued but later abandoned by KUE. For purposes of the foregoing limitation on investment, an equity investment shall not include equity securities that are (a) issued in respect of debt securities in connection with a restructuring, reorganization, sale or other similar transaction in respect of a company; (b) issued in connection with an exchange offer for debt securities; or (c) indirectly owned through a fund or other investment vehicle managed by a person other than any Principal or affiliate of a Principal. The Principals may co-invest with KUE in such companies, subject to the approval of the Independent Committee and the co-investment rights of Investors in the Limited Partnership Agreement.

Not in limitation of any commitments or restrictions the Principals may have entered into, prior to an Initial Listing, KUE may not permit any of its subsidiaries or controlled joint ventures (which shall not include, for the avoidance of doubt, certain exempt companies contemplated by the above paragraph) to issue or grant any equity interests in such subsidiaries or controlled joint ventures to any of the Principals or any of their affiliates (other than KUE, its subsidiaries and controlled joint ventures) unless (i) the Independent Committee has approved and the Investors who are accredited investors (as such term is defined in Regulation D) or otherwise legally eligible to participate are offered the opportunity to participate on the same terms as the Principals and their affiliates and in proportion to their economic ownership of KUE or (ii) such subsidiary or joint venture of KUE has completed an initial listing on a recognized international securities exchange. The foregoing restrictions will not apply to the Principals and/or their affiliates: (a) exercising co-investment, purchase or other similar rights in respect of securities of K12 Inc. (including warrants and options) held by them on the first closing of this offering and in respect of securities of K12 Inc. acquired pursuant to co-investment, purchase or other similar rights exercised in accordance with this clause (a); (b) receiving securities of K12 Inc. (including warrants and options) as compensation for services in their capacity as directors (or advisory board members) of K12 Inc.; or (c) exercising or converting any warrants or options (or other securities) held as of the first closing of this offering or acquired pursuant to clause (a) or (b).

The General Partner may offer co-investment opportunities to any person (except for the Principals and their affiliates other than KUE's subsidiaries and joint ventures) to invest with KUE or to invest in a subsidiary or joint venture of KUE.

14.17. Transferability

The Common LP Units and the Class A Shares comprising the Units owned by the Investors will not be separately transferable, and the Units are to be transferred as a whole unless otherwise approved by the Board of Directors of the General Partner and the Independent Committee.

Units held by an Investor may not be sold, transferred or assigned without the prior written consent of the General Partner, not to be unreasonably withheld. During the first two years after the applicable closing of the offering, the General Partner intends to approve transfers of Units to an affiliate of the Investor in compliance with applicable law. After such time, the General Partner intends to approve transfers of the Units to an affiliate of the Investor or to another Investor (and affiliates thereof), in each case in compliance with applicable law. The General Partner also intends to approve transfers pursuant to the Tag-Along Right and Drag-Along Right provisions described below.

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Although the Limited Partnership Agreement of KUE and the organizational documents of the General Partner permit the foregoing transfers and the General Partner has agreed with certain investors to approve such transfers, applicable Caymans Island law gives the General Partner full discretion to approve or disapprove transfers of Units in KUE. Nevertheless, if the General Partner does not approve a permitted transfer, the parties seeking to effect such transfer may have a claim against the General Partner and KUE.

14.18. Co-Invest Right

Prior to the Initial Listing, if KUE proposes to issue for cash any Units or securities convertible into Units, then KUE is required to offer to each Investor that is an accredited investor (as such term is defined in Regulation D) or is otherwise legally eligible to participate in the offering the right to purchase a pro rata portion of such securities. This purchase right does not apply to (i) the first 1.5 million Units (including such number of Units issued at the first closing of this offering) issued by KUE to Investors through March 31, 2007, (ii) any public offering of Units or other securities by KUE; (iii) any issuance of Units in connection with a merger, consolidation, transfer of assets or other business combination involving KUE (or its subsidiaries or joint ventures); (iv) any issuance of Units pursuant to any unit option plan, restricted unit plan or other benefit plan, the terms of which are approved by the General Partner, provided that the aggregate amount of all Units issued pursuant to this clause (iv) (which does not include any Profits Participation LP Units) shall not exceed 10% of all Units outstanding on a fully diluted basis on the date of such issuance without the approval of the Independent Committee and shall in no event exceed 20% of all Units outstanding on a fully diluted basis on the date of such issuance; (v) any issuance of Units in connection with any loan transaction and/or equipment lease, the terms of which are approved by the General Partner; (vi) any issuance of Units pursuant to any transactions, the terms of which are approved by the General Partner primarily for the purpose of (a) joint ventures or strategic alliances, (b) development, production or distribution of the products or services of KUE, its subsidiaries or joint ventures, (c) purchase or licensing of technology, or (d) any other transactions that are primarily for purposes other than raising capital, or (vii) any issuance of Units upon conversion or exercise of any Units issued in compliance with this co-invest right provision; or (viii) any issuance of Units in connection with Unit splits or Unit dividends or reclassifications.

Prior to the Initial Listing, Investors have substantially equivalent rights with respect to issuances of securities by the General Partner (with the additional exemption on the issuance of up to 10,000 additional Class B Shares to the Principals or any of their Affiliates).

14.19. Tag-Along Right

A "Tag-Along Transfer" means a sale or other transfer for economic value of the Common LP Units held by KUE LLC and its affiliates (and, unless otherwise approved by the Board of Directors and the Independent Committee of the General Partner, a corresponding percentage of Class A Shares held by KUE LLC) to a Person that is not KUE LLC or an affiliate ("KUE LLC Entity").

Unless an Initial Listing occurred, a Tag-Along Transfer may not be consummated unless the proposed purchaser offers to each Investor the opportunity to include a pro rata portion of such Investor's Units in the Tag-Along Transfer (at the same consideration per Unit received by the KUE LLC Entity). If the total number of Units and corresponding Class A Shares proposed to be sold to the proposed purchaser exceeds the number of Units and corresponding Class A Shares which the proposed purchaser is willing to purchase, the number of Units and corresponding Class A Shares to be sold will be reduced pro rata based on the total number of Units held by the transferor(s) initiating the Tag-Along Transfer and each participating Investor.

Following the Initial Listing, the tag-along right will continue for certain Investors with respect to transfers for value of the Units (or units of the listed entity as the case may be) by the Principals or their affiliates to non-affiliates (excluding transfers on a recognized international securities exchange) above the following

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thresholds in one or more transactions: (i) 15% of the Principals' original KUE holdings to any single buyer (or affiliates of that buyer) or (ii) 33% of the Principals' original KUE holdings in the aggregate.

14.20. Drag-Along Right

A "Drag-Along Transfer" means a sale or other transfer for economic value of a majority of the Common LP Units held by KUE LLC or its affiliates (and, unless otherwise approved by the Board of Directors and the Independent Committee of the General Partner, a corresponding percentage of Class A Shares held by KUE LLC). Prior to the Initial Listing, in the event of a Drag-Along Transfer of Common LP Units and corresponding Class A Shares to a proposed purchaser that is not a KUE LLC Entity (a "Proposed Drag-Along Transfer"), KUE LLC may require Investors to sell a pro rata portion (based on the percentage of Units held by KUE LLC being sold in the Proposed Drag-Along Transfer) of their Units and Class A Shares in the Proposed Drag-Along Transfer to the proposed purchaser on the same terms and conditions as KUE LLC in the Proposed Drag-Along Transfer.

14.21. Additional Listing of Investors' Units

Beginning any time after six months after the Initial Listing, one or more holders holding an aggregate of $100 million of more of the Units (calculated based on the issue price) may request KUE and the General Partner to take such action as may be necessary (including regulatory and legal actions) for their Units to be freely tradable and not subject to volume restrictions on the international securities exchange on which the Initial Listing occurred; provided that no more than one such action may be required in any 12 month period and customary cut-back and other provisions will apply in any such listing or underwritten transaction, as the case may be. KUE will use its commercially reasonable efforts to cause such action to cover such holders and the securities of any other holders legally eligible to participate in such action.

14.22. Subsequent Capital Raising Activities

Subsequent to the completion of this offering, KUE may raise additional capital through the sale of equity or debt securities. KUE will not have any preferred limited partner units outstanding upon completion of this offering but KUE may issue limited partner units with preferences over the Common LP Units in the future and may amend the Limited Partnership Agreement accordingly.

14.23. Periodic Reporting; Books and Records

As soon as practicable after the end of each fiscal year but in no event more than 180 days thereafter, each Partner will be sent audited financial statements of KUE for the prior year. These financial statements will include: (i) profit and loss statements and (ii) a balance sheet showing KUE's financial position as of the end of that fiscal year. KUE will also provide to each Partner on a semi-annual basis a report concerning KUE's operations. As soon as practicable after the end of each fiscal year, each Partner will be furnished with all information necessary for the preparation of each Partner's U.S. Federal income tax return and a copy of KUE's federal, state, and local tax or information returns for the year.

KUE will maintain at its principal place of business full and complete books and records for KUE including the following: (1) a current list of the full name and last known business or residence address of each Partner set forth in alphabetical order, together with the capital contribution and share of income and losses of each Partner; (2) a copy of the Statement filed under to Section 9 of the ELP Law and all amendments thereto; (3) copies of KUE's federal, state, and local income tax returns and reports, if any, for the six most recent taxable years, to the extent that such exist; (4) copies of the Limited Partnership Agreement and all amendments thereto; and (5) any other information required to be maintained by the ELP Law. Upon the request of a Partner, the General Partner will promptly deliver to the requesting Partner, at the expense of KUE, a copy of the information listed in the foregoing sentence.

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The General Partner will provide such periodic reports if engaged in any business other than acting as General Partner of KUE or if it owns any material assets other than an interest in KUE.

14.24. Indemnification

KUE will indemnify, to the fullest extent permitted by applicable law, the General Partner, and its members, officers, directors, and employees, and at the General Partner's discretion, any other person providing services to KUE, its subsidiaries or joint ventures, ("Indemnified Persons") from and against loss because of any action performed by them on behalf of KUE or of the failure to take any action on behalf of KUE, unless such loss resulted from the Indemnified Person acting in bad faith or the willful misconduct, fraud or gross negligence of such Indemnified Person, or a material breach of the Limited Partnership Agreement by such Indemnified Person. Indemnified persons may receive advances or be reimbursed for their expenses.

14.25. Amendment of the Limited Partnership Agreement

Generally, the Limited Partnership Agreement may be amended with the consent of the General Partner. Subject to the exceptions specified in the Limited Partnership Agreement, amendments adversely affecting the Common LP Units may not be effected without a majority of the votes represented by Units held by Investors.

Notwithstanding the foregoing, the General Partner, acting reasonably and in good faith, may amend the Limited Partnership Agreement without the consent of any Limited Partner (a) to correct any typographical or similar ministerial errors; (b) to delete or add any provision required to be so deleted or added by applicable law or any government official having jurisdiction over KUE; (c) to cure any mistake or ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein; (d) to take such actions as may be necessary (if any) to ensure that KUE will be treated as a partnership for U.S. federal income tax purposes; (e) to reflect the admission of any additional Limited Partner and otherwise to reflect such admission or an additional investment by a Limited Partner on the books and records of KUE pursuant to the General Partner's power of attorney; (f) to take such actions as may be necessary (if any) to ensure that neither of KUE or the General Partner (or any subsidiary of the foregoing) will be subject to regulation under ERISA or the Investment Company Act; (g) to take such actions as may be necessary (if any) to ensure that the General Partner (or any Subsidiary) will not be subject to the Investment Advisers Act; (h) to reflect any increase in the number of Profits Participation LP Units approved by the Independent Committee and related changes in allocation and distribution provision; (i) to make changes negotiated with Limited Partners admitted in any subsequent closing of the offering, so long as such changes do not, in the good faith determination of the General Partner and with the approval of the Independent Committee, adversely affect the rights, obligations and economic interests of the existing Limited Partners; and (j) to the extent necessary to give effect to partnership interests issued to additional Limited Partners after the Offering Period. The General Partner shall provide prompt written notice of any such amendments to the Limited Partners.

14.26. Confidentiality

Each Investor is subject to an obligation to keep KUE related information confidential, subject to limited exceptions. KUE or the General Partner will be entitled to enforce such obligations and take such actions to maintain the confidentiality of KUE related information, including without limitation withholding any periodic or financial reports (with the approval of the Independent Committee) from an Investor that has violated its confidentiality obligations.

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14.27. Jurisdiction

Any actions or proceedings under the Limited Partnership Agreement or with respect to the General Partners or this offering and the related agreements are subject to binding arbitration in London, United Kingdom.

14.28. Limitation of Participation

Under circumstances where the continuing participation in KUE by an Investor would have a material adverse effect on KUE or a subsidiary, the General Partner may cause an Investor's interest in KUE to be redeemed or transferred.

14.29. United States Trade or Business

The General Partner will use its reasonable best efforts not to cause or allow KUE to engage in or invest (other than through an entity that is not a pass-through entity) in a pass-through entity (for U.S. federal income tax purposes) that engages in: (i) any commercial activities within the meaning of Section 892(a)(2) of the Code, or (ii) any activity which constitutes the conduct of a trade or business in the United States and generates income which constitutes "effectively connected income" in the hands of a non-U.S. Limited Partner. KUE will not take a position in any United States federal or state income tax return that KUE is engaged in a trade or business in the United States that causes the non-U.S. Limited Partners to have income which constitutes "effectively connected income" in the hands of non-U.S. Limited Partners. In addition, the General Partner will use its reasonable best efforts to cause KUE not to invest in a U.S. real property interest described in Section 897(c)(1)(A)(i) or the Code.

The General Partner may, in its discretion, form a separate investment entity to pursue any investment opportunity that is unavailable to KUE by reason of the foregoing, and may offer co-investment opportunities to the Partners eligible to participate in such opportunities in proportion to their Units or on such other reasonable basis as the General Partner may determine.

EACH PROSPECTIVE NON-U.S. LIMITED PARTNER SHOULD REVIEW THE SECTION ENTITLED "CERTAIN INCOME TAX CONSEQUENCES" AND CONSULT ITS TAX AND OTHER ADVISORS IN DETERMINING THE POSSIBLE TAX, EXCHANGE CONTROL OR OTHER CONSEQUENCES TO IT UNDER THE LAWS OF THE U.S. AND OTHER JURISDICTIONS OF WHICH IT IS A CITIZEN, RESIDENT OR DOMICILIARY, IN WHICH IT CONDUCTS BUSINESS OR IN WHICH IT OTHERWISE MAY BE SUBJECT TO TAX, OF THE PURCHASE AND OWNERSHIP OF UNITS.

14.30. Term of KUE; Term of the General Partner

The term of KUE will be indefinite, unless terminated earlier as provided for below. The term of the General Partner will be indefinite, unless terminated earlier in accordance with the Organizational Documents.

The following events will cause the dissolution of KUE:

- The withdrawal, dissolution, bankruptcy, or resignation of a General Partner, unless the business of KUE is continued by the election of a new General Partner by the vote of a majority in number of the Units held by Common Limited Partners within 90 days of the happening of such event;

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- The agreement of the General Partner and the holders of a majority of the Units held by the Limited Partners holding Common LP Units;
- The sale or distribution of all or substantially all of KUE's assets; or
- As otherwise provided by law.

If KUE is dissolved and not reconstituted and continued, the General Partner is then required to wind up the affairs of KUE and to liquidate and sell its assets in an orderly manner. Upon the winding up and termination of the business and affairs of KUE, its assets (other than cash) will be sold, its liabilities and obligations to creditors and all expenses incurred in its liquidation will be paid. The net proceeds from such sales (after deducting all selling costs and expenses in connection therewith) and any released reserves will then be distributed to the Partners in accordance with "– Distributions" by the later of the end of the taxable year of KUE which includes the liquidation date or the 90th day following the liquidation date. KUE property will not be distributed in kind to the Partners upon the dissolution and termination of KUE unless otherwise agreed by the General Partner.

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15. MANAGEMENT INCENTIVE PLANS AND EMPLOYMENT AGREEMENTS

Certain key terms of the following incentive plans and employment agreements of the Company, which are subject to and qualified in their entirety by reference to any underlying documentation as applicable, are outlined below. Copies of such documentation have been provided or are available upon request and the summaries below are qualified in their entirety by reference to such documentation.

15.1. Long Term Incentive Plan and Agreements of Knowledge Learning Corporation

Effective as of December 6, 2005, KLC put in place a long term incentive plan ("LTIP") for officers, employees or consultants, providing for incentive compensation payments based upon the achievement of certain performance criteria determined by KLC's Compensation Committee. Under the terms of the long term incentive award agreements entered into with eligible recipients pursuant to the LTIP, if the recipient is terminated by KLC without cause after the first year of any 3-year performance cycle, the first of which begins in 2006, or upon death, permanent disability or retirement after the first 6 months of any performance cycle, the recipient is eligible to receive a pro rata portion of any incentive award earned. The recipient is also eligible to receive a pro rata portion of any incentive award earned in the event of a sale of KLC or a termination of the LTIP.

15.2. Profits Interest Grants

KUE expects to grant profits interests in KUE to its (or its subsidiary's) present and future officers, directors, employees and consultants, aggregating up to 2% of KUE's aggregate profits, subject to increases approved by the Independent Committee. Such grants would be dilutive to the holders of Units.

15.3. Stock Appreciation Rights Plan of Knowledge Schools, Inc.

KSI established a stock appreciation rights ("SAR") plan for directors, officers, employees or consultants of KSI and its subsidiaries on April 25, 2004, pursuant to which a maximum number of 18,410 phantom shares (which may be converted to options) may be granted and an equivalent of 4,353.860 phantom shares are issued and outstanding. SARs may be granted under the plan until April 24, 2014 and shall vest and become exercisable as set forth in the holder's SAR agreement. These phantom shares will provide the holders with the appreciation in value of the equivalent of 1.6% of KSI's equity (after payment of $7.8 million to KLC's departing chief executive officer in settlement of his SARs, and based on 273,904.89884 shares as of April 28, 2006). Beginning in 2006, incentive compensation at the KLC level to management will be made through the LTIP described above, while directors of KSI may continue to be granted SAR.

15.4. Stock Option Grants by Knowledge Schools, Inc.

Les Biller and Stephen Goldsmith have been granted options to purchase an aggregate of 3,412.6 shares of common stock of KSI. Les Biller is on the Advisory Board of KUE and a director of KSI. Stephen Goldsmith is the Senior Vice President of Strategic Planning & Worldwide Government Programs for KUE and a director of KSI. KSI may issue similar options from time to time.

15.5. Employment Agreements

With one exception, the Company's executives do not have long-term employment agreements. KLC entered into an employment agreement with Elanna Yalow as of August 1, 2004 with an employment term

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of three years, unless terminated earlier. She serves as KLC's President and COO with a fixed annual base salary of $300,000 plus bonuses, as well as stock appreciation rights. If KLC terminates Ms. Yalow's employment at any time, other than for death, disability or cause, KLC is required to pay as severance, Ms. Yalow's base compensation for the balance of the severance period. In case of termination after expiration of the employment term, KLC is required to pay, in addition to the severance pay, unpaid base compensation earned as of the date of termination.

In connection with employment arrangements for newly hired officers (including Peter Maslen, Derek Feng and Kal Raman), the Company is providing equity-based compensation in amounts to be agreed, which will be subject to customary terms and conditions.

15.6. KULG Arrangements

Certain of the executives providing services to KUE and its subsidiaries are employees and officers of, or consultants to, KULG. Stephen Goldsmith, Senior Vice President of KULG, has a three-year employment agreement beginning February 1, 2005, terminable at will by KULG or Mr. Goldsmith, subject to severance benefits in certain circumstances and death and disability benefits. The agreement provides for a $500,000 annual salary and targeted $250,000 discretionary bonus. Nina Rees, Vice President of Strategic Initiatives of KULG, has an employment agreement terminable by her or KULG with 90 days' notice and providing an annual salary of $180,000 plus a discretionary bonus. Ted Sanders has a 24-month consulting agreement with KULG beginning March 1, 2005 pursuant to which he receives consulting fees at a $25,000 annual rate for the first 12 months and a $35,000 annual rate for the second 12 months. All of these amounts, together with the compensation of other KULG employees providing services to KUE will be paid from the annual overhead expense payment KUE will pay to KULG, as described in "Related Party Transactions."

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16. RELATED PARTY TRANSACTIONS

Certain key terms of the following related party transactions of the Company, which are subject to and qualified in their entirety by reference to their respective underlying documentation as applicable, are outlined below. Copies of such documentation have been provided or are available upon request, and the summaries below are qualified in their entirety by reference to such documentation.

16.1. Real Estate Support Management Agreement of Knowledge Learning Corporation

KLC entered into a Real Estate Support Management Agreement with Greenstreet Real Estate Partners (formerly Greenstreet Realty Partners, L.P.), an entity controlled by the Principals, on January 4, 2006, pursuant to which KLC obtains certain real property support services from Greenstreet Real Estate Partners. The Agreement is non-exclusive and the Company may consider and solicit proposals from other entities. Payment obligations are to be provided for in separate agreements, none of which have been entered into as of the date of this Memorandum. The initial term of the Agreement expires on December 31, 2016 (with automatic one-year extensions unless notice is given to the other party). The Agreement can be terminated by either party for convenience on December 31 in any year or for breach with prior written notice.

16.2. Fixed Overhead Payment Agreement

As reimbursement of expenses incurred by KULG, an affiliate of the Company controlled by the Principals, on behalf of KUE and its subsidiaries (including salaries and bonuses of KULG employees providing services to KUE and its subsidiaries, fees and expenses relating to financing transactions and acquisitions, professional fees and other administrative expenses), KUE has an obligation to pay $20 million annually to KULG in quarterly installments beginning July 1, 2006 pursuant to the Fixed Overhead Payment Agreement. Of this amount, $2.5 million will be paid to KUE by KLC pursuant to the existing Management Services Agreement described below.

16.3. Note Payable to KULG by KU Education, Inc.

On January 6, 2005, KUE Inc. executed a promissory note in favor of KULG, an entity controlled by the Principals, in the amount of $200.0 million, the proceeds of which were used in connection with the acquisition of KinderCare by KLC. This note has a seven year maturity and accrues interest at the "reference rate" set by Bank of America plus 1.25% per annum. The note may be prepaid, in whole or in part, without any premium or penalty. KUE Inc. currently owes approximately $183.9 million under the note.

16.4. Asset Management Agreements with Greenstreet Real Estate Partners (formerly Greenstreet Realty Partners, L.P.)

Greenstreet Real Estate Partners (formerly Greenstreet Realty Partners, L.P.), an entity controlled by the Principals, entered into asset management agreements dated as of November 9, 2005 with each of KC PropCo Holding I LLC ("PropCo Holding"), KC PropCo, LLC ("PropCo") and Mini-Skools Limited ("MSL"), each an indirect wholly owned subsidiary of KLC, pursuant to which Greenstreet Real Estate Partners provides asset management and consulting services to PropCo Holding, PropCo and MSL with respect to the real property each company respectively owns, in return for a total annual fee of $8,250,000 payable in 12 equal monthly installments starting December 1, 2005. The initial term expires on December 31, 2016 (with automatic one-year extensions unless notice is given to the other party), and the Agreement can be terminated for breach with prior written notice.

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16.5. Management Services Agreement

KLC is a party to a management services agreement with Knowledge Universe Limited LLC, one of our affiliates controlled by the Principals, pursuant to which Knowledge Universe Limited LLC has agreed to provide management, consulting and financial planning services on an ongoing basis to KLC and its subsidiaries. In consideration of these services, KLC is obligated to pay Knowledge Universe Limited LLC an annual management fee of $2.5 million payable in equal quarterly installments on the first day of each calendar quarter in advance, effective January 1, 2005. However, in the event of a payment default under KLC's senior credit agreement or the indenture governing the notes, or a bankruptcy, liquidation or winding-up of KLC, the payment of all accrued and unpaid management fees is subordinated to the prior payment in full of all amounts due and owing under KLC's senior credit facility and the indenture governing the Senior Subordinated Notes.

The management services agreement has a ten-year term which extends automatically on each anniversary of the agreement for one additional year unless either party gives prior notice that the term will not be extended. In addition, the management services agreement provides for the payment to Knowledge Universe Limited LLC of customary fees for services provided in connection with extraordinary services and reimbursement of reasonable out-of-pocket expenses, with limited exceptions.

16.6. KinderCare Acquisition Financing

Affiliates purchased a majority of the $250.0 million of senior subordinated bridge notes that we issued as part of the financing of the KinderCare acquisition, which were repaid with the net proceeds of the Senior Subordinated Notes. In connection with the KinderCare merger and related transactions, KLC paid affiliates of KULG commitment fees, expense reimbursements and other amounts totaling approximately $15.9 million.

16.7. Maron & Sandler

The law firm of Maron & Sandler serves as outside general counsel to us and our affiliates. Messrs. Maron and Sandler are shareholders of Maron & Sandler. Mr. Sandler is a member of the board of directors of KSI and is the General Counsel of KUE. Mr. Maron is a member of the board of directors of both KLC and its parent, KSI. In addition, Mr. Maron holds an interest in an entity that holds common stock of KSI. These shares of common stock amount to a less than 0.1% economic interest in KSI.

16.8. RFG Financial Group, Inc.

RFG Financial Group, Inc., an entity controlled by Ralph Finerman, a member of the boards of directors of KLC and Nextera Enterprises, Inc. and an officer or director of other privately-held affiliates of KLC and Krest LLC, periodically provides financial consulting services to KULG and its affiliates. In addition, Mr. Finerman holds an interest in an entity that holds common stock of KSI. These shares of common stock amount to a less than 0.1% economic interest in KSI.

16.9. Purchase of EdSolutions, Inc.

In November 2004, one of KSI's affiliates acquired ESI in a cash merger transaction for $5.5 million, of which $2.2 million was paid to another of our affiliates in respect of its preferred stock ownership in ESI. Following the closing, the buyer contributed the stock of ESI to KSI in exchange for $5.5 million of preferred stock of KSI, and KSI contributed ESI to KLC. In connection with the KinderCare acquisition, KSI redeemed the preferred stock (including accrued dividends) for $5.6 million.

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16.10. Indebtedness of KUE with affiliates

The proceeds of the $150 million term loan facility that KUE entered into on March 29, 2006 with an affiliate of Credit Suisse, one of the Agents (as described in "Knowledge Universe Education (KUE) – Term Loan Facility"), were used to repay existing debt of KUE to entities controlled by Michael Milken.

16.11. *k*12

An affiliate of Michael Milken and Lowell Milken owns the *k12* trademark and related domain names, and licenses them to *k12* for $25,000 annually pursuant to a perpetual license.

An affiliate of Michael Milken and Lowell Milken owns (i) 3,106,774 shares of common stock of *k*12, (ii) warrants to purchase 53,364 shares of *k*12 common stock at $1.60 per share and (iii) warrants to purchase 1,164,179 shares of *k*12 Series B Preferred Stock at $1.34 per share.

16.12. Condors LLC

Condors LLC, substantially all of which is owned by the Principals, is the lender under the Junior Mezzanine Loan entered into in connection with the new CMBS financing.

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17. ELIGIBLE INVESTORS

17.1. UNITED STATES SECURITIES ACT OF 1933

The Units will not be registered under the Securities Act, in reliance upon the exemption from registration provided by Section 4(2) of the Securities Act and will not be registered under the securities laws of any jurisdiction.

Accordingly, the Units are initially being offered and sold only to "accredited investors."

Each investor is required to enter into a Subscription Agreement to purchase the Units. In the Subscription Agreement, it will be required to represent, among other customary private placement representations, as follows:

- that it is an "accredited investor" (as such term is defined in Regulation D under the Securities Act);
- that it has carefully read and understood this Memorandum and the organizational documents of KUE in their entirety and that it has relied on such documents in making its investment decision;
- that it has had an opportunity to receive answers from KUE to its questions regarding the Units and other matters pertaining to its investment, and it has obtained all additional information it has requested from KUE to verify the accuracy of the information furnished to it;
- that it is capable of evaluating the merits and risks of purchasing the Units and of making an informed investment decision with respect thereto;
- that its financial situation is such that it can afford to bear the economic risk of holding the Units as an illiquid investment for an indefinite period of time, and it can afford to suffer the complete loss of its investment;
- that it is acquiring the Units for its own account for investment purposes only and not with a view to resale or distribution; and
- that it understands that it must bear the economic risk of an investment in the Units for an indefinite period of time.

In the Subscription Agreement, each investor will be required to represent whether or not it is a U.S. Person or non-U.S. Person (as such terms are defined in Regulation S under the Securities Act). Each non-U.S. Person will be required to represent:

- whether it is purchasing the Units in an offshore transaction within the meaning of Regulation S; and
- that it is eligible to purchase the Units under the laws applicable to it.

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A copy of the form of the Subscription Agreement will be provided. Each investor should carefully read the Subscription Agreement in its entirety so as to fully understand the representations and warranties it is required to make pursuant to the Subscription Agreement.

The Units cannot be resold or otherwise transferred unless they are subsequently registered under the Securities Act and other applicable securities laws, or exemptions from such registration requirements are available. It is not contemplated that registration of the Units under the Securities Act or other securities laws will ever be effected. There is no public market for the Units, and none is expected to develop. Therefore, an investor that purchases the Units may be required to hold the Units for an indefinite period of time. The Units, if certificated, will bear a legend describing such transfer limitations.

17.2. United States Employment Retirement Income Security Act of 1974

An investment in the Units and the underlying Common LP Units and Class A Shares by certain U.S. employee benefit plans is subject to additional considerations because the investments of such plans are subject to the fiduciary responsibility and prohibited transaction provisions of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and restrictions imposed by Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "IRC"). For these purposes the term "employee benefit plan" includes, but is not limited to, qualified pension, profit-sharing and stock bonus plans, Keogh plans, simplified employee pension plans and tax deferred annuities or IRAs established or maintained by an employer or employee organization. Among other things, such employee benefit plans should give consideration to:

- whether the investment is prudent under ERISA.
- whether in making the investment, that plan will satisfy the diversification requirements of ERISA; and
- whether the investment will result in recognition of unrelated business taxable income by the plan and, if so, the potential after-tax investment return.

The person with investment discretion with respect to the assets of an employee benefit plan, often called a fiduciary, should also determine whether an investment in the Units and the underlying Common LP Units and Class A Shares is authorized by the appropriate governing instrument and is a proper investment for the plan.

Section 406 of ERISA and Section 4975 of the IRC also prohibit employee benefit plans, and also IRAs that are not considered part of an employee benefit plan, from engaging in specified transactions involving "plan assets" with parties that are "parties in interest" under ERISA or "disqualified persons" under the IRC with respect to the plan.

In addition to considering whether the purchase of Units and the Common LP Units and Class A Shares is a prohibited transaction, a fiduciary of an employee benefit plan should consider whether the plan will, by making such an investment, be deemed to own an undivided interest in the assets of KUE or the General Partner, with the result that KUE or the General Partner would be subject to the regulatory restrictions of ERISA, including its prohibited transaction rules, as well as the prohibited transaction rules of the IRC.

The U.S. Department of Labor regulations under ERISA provide guidance with respect to whether the assets of an entity in which employee benefit plans acquire equity interests would be deemed "plan assets" under some circumstances. Under these regulations, an entity's assets would not be considered to be "plan assets" if, among other things:

(a) the equity interests acquired by employee benefit plans are publicly offered securities, *i.e.*, the equity interests are widely held by 100 or more investors independent of the

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issuer and each other, freely transferable and registered under some provisions of the federal securities laws;

(b) the entity is an "operating company," meaning it is primarily engaged in the production or sale of a product or service other than the investment of capital either directly or through a majority-owned subsidiary or subsidiaries; or

(c) the entity is a "venture capital operating company," meaning that at least 50% of its assets, determined on certain testing dates, are invested in operating companies with respect to which the entity has contractual management rights which the entity actually exercises in the ordinary course of its business; or

(d) there is no significant investment by benefit plan investors, which is defined to mean that less than 25% of the value of each class of equity interest is held by the employee benefit plans referred to above, IRAs and other employee benefit plans not subject to ERISA, including U.S. and non-U.S. governmental plans.

The General Partner intends to operate the General Partner and KUE in such fashion that, for purposes of the plan asset regulations, the assets of KUE and the General Partner will not be considered assets of any plan investing in KUE and the General Partner. The Limited Partnership Agreement (and the organizational documents of the General Partner) will confer on the General Partner (and the Principals) the authority to take any action necessary or desirable in order to prevent Company assets and General Partner assets from being considered to be plan assets, including the authority to restructure any aspects of KUE and the authority to cause the redemption or sale of Units held by some or all plan investors.

KUE is considering whether and to what extent to permit plan investors to invest in the Units. Due to the complexity of the applicable rules and the penalties imposed upon persons involved in prohibited transactions, it is particularly important that potential purchasers that are plans consult with their counsel regarding the consequences under ERISA of their acquisition and ownership of the Units. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) are not subject to ERISA requirements but may be subject to analogous provisions under applicable state, local or non-U.S. law.

17.3. Anti-Money Laundering – Cayman Islands

In order to comply with regulations aimed at the prevention of money laundering in any applicable jurisdictions, the General Partner and KUE are required to adopt and maintain anti-money laundering procedures, and may require prospective investors to provide evidence to verify their identity. Accordingly, the General Partner (and its directors) reserve the right to request such information as they consider necessary to verify the identity of a prospective investor. Where permitted, and subject to certain conditions, the General Partner and KUE may also delegate the maintenance of its anti-money laundering procedures (including the acquisition of due diligence information) to a suitable person. The General Partner (and its directors) may refuse to accept any subscription application if a prospective investor delays in producing or fails to produce any information required by the General Partner (and its directors) for the purpose of verification and, in that event, any funds received will be returned without interest to the account from which the moneys were originally debited.

The General Partner and KUE also reserve the right to refuse to make any redemption payment to a shareholder of the General Partner or a partner of KUE, as applicable, if they suspect or are advised that the payment of redemption proceeds to such person might result in a breach of applicable anti-money laundering or other laws or regulations by any person in any relevant jurisdiction, or if such refusal is considered necessary or appropriate to ensure the compliance by the General Partner and KUE with any such laws or regulations in any applicable jurisdiction.

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If any person resident in the Cayman Islands knows or suspects that another person is engaged in money laundering or is involved with terrorism or terrorist property and the information for that knowledge or suspicion came to their attention in the course of their business the person will be required to report such belief or suspicion to either the Financial Reporting Authority of the Cayman Islands, pursuant to the Proceeds of Criminal Conduct Law (2005 Revision) if the disclosure relates to money laundering or to a police officer of the rank of constable or higher if the disclosure relates to involvement with terrorism or terrorist property, pursuant to the Terrorism Law. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

17.4. Foreign Corrupt Practices Act

The General Partner, KUE, its subsidiaries and joint ventures intend to comply with applicable provisions of the Foreign Corrupt Practices Act ("FCPA") in connection with their business activities worldwide. The FCPA prohibits corrupt payments to foreign officials (including any officer or employee of a foreign government, a public international organization, or any department or agency thereof, or any person acting in an official capacity, regardless of rank or position), parties or candidates to obtain or retain business or securing any improper advantage and the FCPA prohibits paying, offering, promising to pay, directly or indirectly, money or anything of value in connection therewith.

Investors will be required to provide information on whether they are foreign officials, and confirm that they have not paid, offered to pay or promised to pay and do not intend to pay, offer to pay or promise to pay, directly or indirectly, money or anything of value to any foreign official, party or candidate to obtain or retain business (whether with a government or agency or instrumentality thereof or otherwise) for or on behalf of KUE, its subsidiaries or joint ventures or to secure an improper advantage for KUE or its subsidiaries or joint ventures in any country.

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18. CERTAIN INCOME TAX CONSEQUENCES

The following summary of the taxation of KUE and the taxation of the Partners of KUE is based upon current law and does not purport to be a comprehensive discussion of all the tax considerations that may be relevant to a decision to purchase Units. Legislative, judicial or administrative changes may be forthcoming that could affect this summary.

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT REGULATIONS, WE ADVISE YOU THAT: (i) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED HEREIN IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY INVESTORS FOR THE PURPOSE OF AVOIDING TAX-RELATED PENALTIES UNDER THE U.S. INTERNAL REVENUE CODE OR APPLICABLE STATE OR LOCAL TAX LAW PROVISIONS; (ii) SUCH DISCUSSION IS BEING USED IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF TREASURY REGULATIONS) BY THE COMPANY OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; (iii) INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

PROSPECTIVE INVESTORS (INCLUDING ALL NON-U.S. PERSONS AS DEFINED BELOW) SHOULD CONSULT THEIR TAX ADVISORS CONCERNING THE U.S. FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF OWNING COMMON LP UNITS UNDER THE LAWS OF THEIR COUNTRIES OF CITIZENSHIP, RESIDENCE, ORDINARY RESIDENCE, OR DOMICILE.

18.1. Cayman Taxation

There is, at present, no direct taxation in the Cayman Islands. The Government of the Cayman Islands, will not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax, or withholding tax upon KUE, its partners, the General Partner, or its shareholders. Similarly interest, dividends and gains payable to KUE and all distributions by KUE to its partners will be received free of any Cayman Islands income or withholding taxes.

KUE has registered as an exempted limited partnership under Cayman Islands law and KUE has received an undertaking from the Governor-in-Cabinet of the Cayman Islands to the effect that, for a period of 50 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to KUE or to any partner of KUE in respect of the operations or assets of KUE or the interest of a partner in KUE; and may further provide that any such taxes or any tax in the nature of estate duty or inheritance tax shall not be payable in respect of the obligations of KUE or the interests of the partners in KUE.

The General Partner of KUE has registered as an exempted company under Cayman Islands law and the General Partner has received an undertaking from the Governor-in-Cabinet of the Cayman Islands that, in accordance with section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable (i) on the shares of the General Partner or (ii) by way of the withholding in whole or in part of a payment of dividend or other distribution of income or capital by the General Partner to its shareholders.

The Cayman Islands does not have a double tax treaty with the United States or any other country.

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18.2. United States Federal Income Taxation

The following summary sets forth the material U.S. federal income tax considerations related to the purchase, ownership, and disposition of Common LP Units. Unless otherwise stated, this summary deals only with partners that are U.S. Persons (as defined below) who purchase their Common LP Units in this offering and who hold their Common LP Units as capital assets within the meaning of Section 1221 of the Code. The following discussion is only a discussion of the material U.S. federal income tax matters as described herein and does not purport to address all of the U.S. federal income tax consequences that may be relevant to a particular Limited Partner of KUE ("Limited Partner") in light of such Limited Partner's specific circumstances. In addition, except as expressly stated, the following summary does not address the U.S. federal income tax consequences that may be relevant to special classes of Limited Partners who may be subject to special rules or treatment under the Code, such as financial institutions, insurance companies, regulated investment companies, real estate investment trusts, partnerships, or other pass-through entities, dealers or traders in securities, tax-exempt organizations, expatriates, any person who owns or is deemed to own, for U.S. federal income tax purpose, 10% or more of the total combined voting power of all classes of voting stock of the corporate subsidiaries of KUE, persons that have a "functional currency" other than the United States dollar, and any individual who is a non-U.S. Person (as defined below) and who is present in the U.S. for 183 days or more in a taxable year. This discussion does not include any description of the tax laws of any state or local governments within the U.S. No ruling has been or will be sought from the IRS regarding any matter discussed herein. Counsel to KUE has not rendered any legal opinion regarding any tax consequences relating to KUE or an investment in KUE. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the positions taken by KUE as set forth below.

For purposes of this discussion, the term "U.S. Person" means (1) a citizen or resident of the U.S., (2) a corporation created or organized in or under the laws of any State of the U.S. (including the District of Columbia), (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source, (4) a trust if either (a) a court within the U.S. is able to exercise primary supervision over the administration of such trust and one or more U.S. Persons have the authority to control all substantial decisions of such trust or (b) the trust has a valid election in effect to be treated as a U.S. Person for U.S. federal income tax purposes, or (5) any other person or entity that is treated for U.S. federal income tax purposes as if it were one of the foregoing. The term "non-U.S. Person" means any person other than a U.S. Person.

18.2.1 United States Federal Income Taxation of KUE and its Subsidiaries

Partnership Status of KUE. KUE believes that it should be classified as a partnership for United States federal income tax purposes. Accordingly, KUE is not a taxable entity and incurs no U.S. federal income tax liability. Instead, each Partner will be allocated its share of KUE's income or loss, as the case may be, for United States federal income tax purposes as set forth in the Limited Partnership Agreement. In addition, each U.S. Partner's share of income or loss from KUE generally will be required to be includable in income for state and local tax purposes in the jurisdiction in which the investor is a resident and in the jurisdictions in which KUE operates. Each U.S. Partner will be responsible for paying the income tax on that portion of KUE's income allocated to such investor. No assurances can be given that any cash distribution will be made from KUE to the partners to pay such income tax liabilities.

Under the Code, certain non-U.S corporations may be treated as U.S. corporations for U.S. federal income tax purposes, thereby subjecting such non-U.S. corporations to U.S. federal income tax on their income. Recently enacted U.S. tax legislation includes one such provision. Under this legislation, referred to as the anti-inversion legislation, non-U.S. corporations that acquire interests in a U.S. corporation or partnership and meet certain ownership, operational and other tests may be treated as U.S. corporations for federal income tax purposes. The legislation grants broad regulatory authority to the U.S. Secretary of Treasury to provide such regulations as may be appropriate to determine whether a non-U.S. corporation is treated as a U.S. corporation or as are necessary to carry out the intent of the provision, including adjusting its application as necessary to prevent the avoidance of its purpose. Recently issued

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Treasury regulations provide that the anti-inversion legislation is applicable to a foreign partnership that is or becomes a "publicly traded partnership" within two years of the acquisition by it of a U.S. corporation. A "publicly traded partnership" is any partnership (i) interests in which are traded on an established securities market, or (ii) interests in which are readily tradable on a secondary market (or the substantial equivalent thereof). KUE believes that it is not currently a publicly traded partnership and does not intend to become a publicly traded partnership within two years of this offering or the acquisition of KLC and *k*12. As a result, KUE does not believe the anti-inversion legislation or any regulations promulgated within the scope of the legislation's regulatory authority should apply to KUE although no assurance can be given in this regard or with respect to any new acquisitions of or investment in U.S. corporations. In addition, KUE does not believe that any other Code provision subjecting non-U.S. corporations to U.S. federal income tax should apply to KUE or its subsidiaries, although no assurance can be given in this regards. The promulgation of contrary regulations or a successful challenge of either of these positions by the Internal Revenue Service could materially reduce a holder's after-tax return and, thus, could result in a substantial reduction of the value of the Units.

The remainder of this section assumes that KUE will be treated as a partnership for U.S. federal income tax purposes.

18.2.2 United States Federal Income Taxation of Partners

U.S. Persons

Allocation of Purchase Price. You will be treated as purchasing a Unit consisting of two components, one Common LP Unit and one GP Share. Your purchase price for each Unit will be allocated between one Common LP Unit and one GP Share in proportion to their relative fair market values at the time of your purchase, and this allocation will establish your initial tax basis in both your ownership interest in the Common LP Unit and your GP Share. We will treat the fair market value of each Common LP Share at $999 and the fair market value of each GP Share as $1.

Flow-Through of Taxable Income. KUE will not pay any U.S. federal income tax. Instead, each Partner will be required to report on its income tax return its allocable share (as determined pursuant to the Limited Partnership Agreement) of KUE's income, gains, losses, and deductions without regard to whether corresponding cash distributions are made. The Limited Partnership Agreement authorizes the General Partner to override the allocation provisions of the Limited Partnership Agreement and allocate income, gains, losses and deductions of KUE to the Partners in a manner that achieves the desired economic arrangement of KUE, which is to return each Partner's capital contribution and then for all Partners (including the holder of Profits Participation LP Units) to share in the profits of KUE in proportion to the number of Units held by them.

The IRS may challenge the manner in which income, gains, losses and deductions are allocated to holders of Common LP Units, the General Partner and holders of the Profits Participation LP Units under the Limited Partnership Agreement. For U.S. federal income tax purposes, allocation of any item of income, gain, loss or deduction to a partner in a partnership will be given effect so long as the allocation has "substantial economic effect," or is otherwise in accordance with the partner's interest in the partnership. If an allocation of an item pursuant to the Limited Partnership Agreement does not satisfy this standard or is deemed not to satisfy this standard by the IRS, it will be reallocated by the IRS among the Partners on the basis of their respective interests in KUE (as determined by the IRS), taking into account all facts and circumstances. In such a case, holders of Common LP Units could have additional tax liabilities or suffer adverse tax consequences.

Treatment of Cash Distributions. KUE's distributions to a Partner generally will not be taxable to the Partner for U.S. federal income tax purposes to the extent of such Partner's adjusted tax basis in its Common LP Units immediately before the distribution. Cash distributions in excess of a Limited Partner's adjusted tax basis generally will be considered to be gain from the sale or exchange of the Common LP Units. Any reduction in a Limited Partner's share of KUE's liabilities, if any, for which no Partner bears the

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economic risk of loss, known as "nonrecourse liabilities," will be treated as a deemed distribution of cash to that Partner. A decrease in a Partner's percentage interest in KUE because of KUE's issuance of additional limited partner units ("Limited Partner Units") would decrease such Partner's share of Company nonrecourse liabilities, if any, and thus would result in a corresponding deemed distribution of cash.

Treatment of In-Kind Distributions. KUE's distribution of property (other than cash) to a Partner generally will not be taxable to the Partner unless the property is a "marketable security" and the exceptions to the requirement for recognition of gain upon distributions of marketable securities do not apply. Marketable securities, for these purposes, include actively traded securities or equity interests in another entity that are readily convertible into or exchangeable for cash or other marketable securities. If the distributed property constitutes a marketable security, the property would be treated as cash and the Partner would recognize gain, but not loss, to the extent described above.

Basis of Common LP Units. A Limited Partner will have an initial tax basis for its Common LP Units equal to the amount it paid for the Common LP Units plus its share of Company nonrecourse liabilities, if any. That basis will be increased by the Limited Partner's share of Company income and by any increases in its share of Company nonrecourse liabilities, if any. That basis will be decreased, but not below zero, by distributions from KUE, by the Limited Partner's share of KUE losses, by any decrease in its share of Company nonrecourse liabilities, if any, and by its share of Company expenditures that are not deductible in computing KUE's taxable income and are not required to be capitalized.

Limitations on Deductibility of Company Losses. The deduction by a Limited Partner of its share of Company losses will be limited to the adjusted tax basis in its Common LP Units. Limited Partners should be aware that they could be subject to various other limitations on their ability to deduct their allocable shares of Company losses (or items of deductions). Such limitations include, but are not limited to, those relating to "investment interest" expense under Section 163(d) of the Code, "miscellaneous itemized deductions" under Section 67 of the Code, certain other itemized deductions of high income individuals under Section 68 of the Code, the "at risk" rules under Section 465 of the Code, and the deductibility of capital losses under the Code. Prospective investors should consult their tax advisors with respect to the potential application of such rules to their particular situation.

Allocation of Income, Gain, Loss, and Deduction. If KUE has a net profit or net loss, its items of income, gain, loss, and deduction will be allocated among the Partners in accordance with the provisions of the Limited Partnership Agreement.

Dispositions of Common LP Units – Recognition of Gain or Loss. A Limited Partner will recognize gain or loss on a sale of Common LP Units equal to the difference between the amount realized and the Limited Partner's adjusted tax basis for the Common LP Units sold. A Limited Partner's amount realized will be measured by the sum of cash or the fair market value of other property received plus its share of Company nonrecourse liabilities, if any. Generally, gain or loss recognized by a Limited Partner on the sale or exchange of Common LP Units will be taxable as capital gain or loss and as long-term capital gain or loss if the Common LP Units were held for more than twelve months.

Non-U.S. Persons

Withholding. Ownership of Common LP Units by non-U.S. Persons raises special U.S. federal income tax considerations. To the extent that KUE receives dividends from a U.S. subsidiary, distributions of such dividend income to Limited Partners who are non-U.S. Persons will be subject to U.S. withholding at a rate of 30%. Certain countries have tax treaties with the U.S. that reduce or eliminate the withholding requirement. To the extent that KUE receives dividends from a non-U.S. subsidiary, distributions of such dividend income to Limited Partners who are non-U.S. Persons will not be subject to U.S. tax, unless such income were deemed to be effectively connected with a trade or business conducted by KUE in the U.S. KUE will be required to pay withholding tax with respect to the portion of KUE's income that is "effectively connected" with the conduct of a U.S. trade or business and which is allocable to non-U.S. Persons. Any amounts KUE is required to remit to taxing authorities will be treated as a distribution to the Partner on whose behalf the withholding is being paid and will be charged against current and/or future

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distributions such Partner would otherwise be entitled to. If KUE is required to withhold on amounts in excess of cash distributions, Partners shall be required to contribute to KUE cash in an amount by which such required withholding exceeds any such distributions.

Gain on Sale. A Limited Partner that is a non-U.S. Person will be subject to U.S. federal income tax upon the sale or exchange of its Common LP Units to the extent that such Limited Partner recognizes gain upon such sale or exchange and such gain is effectively connected with a U.S. trade or business.

U.S. Real Property Holding Corporation. If a direct U.S. subsidiary of KUE is or were to become a "United States Real Property Holding Corporation," or "USRPHC" (as defined below), certain disposition of Common LP Units by a Limited Partner that is a non-U.S. Person would result in such Limited Partner being subject to U.S. federal income tax in respect of the portion of the gain recognized on such disposition that is attributable to such subsidiary. In addition, if a direct U.S. subsidiary of KUE is or were to become a USRPHC, certain dispositions of such subsidiary by KUE would result in Limited Partners who are non-U.S. Persons being subject to U.S. federal income tax in respect of their allocable share of the gain recognized by KUE on such disposition. Generally, a corporation is a USRPHC if the fair market value of its "U.S. real property interests" equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. KUE believes that each of its direct U.S. subsidiaries is not currently a USRPHC for U.S. federal income tax purposes. However, no assurances can be given in this regard. Furthermore, it is possible that in the future one of KUE's subsidiaries may become a USRPHC if, for example, the value of the U.S. real estate holdings of such subsidiary increases sufficiently. Limited Partners that are non-U.S. Persons are urged to consult their tax advisors regarding the potential application of the USRPHC rules to their investment in KUE.

Administrative Matters

Backup Withholding. For each calendar year, KUE will report to its U.S. Partners and to the Internal Revenue Service the amount of distributions that it pays, and the amount of tax (if any) that it withholds on these distributions. Under the backup withholding rules, a U.S. Limited Partner may be subject to backup withholding tax with respect to distributions unless a Limited Partner: (i) is a corporation or comes within another exempt category and demonstrates this fact when required or (ii) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding tax and otherwise complies with the applicable requirements of the backup withholding tax rules. Exempt Limited Partners who are U.S. Persons should indicate their exempt status on a properly completed IRS Form W-8BEN. Backup withholding is not an additional tax, the amount of any backup withholding from a payment to a Limited Partner will be allowed as a credit against such Limited Partner's U.S. federal income tax liability.

Nominee Reporting. Persons who hold an interest in KUE as a nominee for another Person are required to furnish to KUE:

(a) the name, address, and taxpayer identification number of the beneficial owner and the nominee,

(b) whether the beneficial owner is:

  (1) a person that is not a U.S. Person,

  (2) a foreign government, an international organization, or any wholly-owned agency or instrumentality of either of the foregoing, or

  (3) a tax-exempt entity;

(c) the amount and description of the Limited Partner Units held, acquired, or transferred for the beneficial owner, and

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(d) specific information including the dates of acquisitions and transfers, means of acquisitions and transfers, and acquisition cost for purchases, as well as the amount of net proceeds from sales.

Filing Requirements. Limited Partners who are U.S. Persons will be required to file an IRS Form 8865 with the Partner's U.S. Federal Income tax return for the taxable year in which the Limited Partner purchases the Common LP Units. Investors who are U.S. Persons may, depending upon the size of their investment in the General Partner, be required to file an IRS Form 5471 with the investor's U.S. federal income tax return for the taxable year in which the investor purchases Common LP ordinary shares in the General Partner. Additionally, depending on the type of non-U.S. investments KUE makes, investors who are U.S. Persons may be required to file additional IRS Forms such as a Form 5471 in subsequent years.

This discussion of tax consequences and tax withholding is a general discussion and is not intended to be all inclusive nor a substitute for careful tax planning. Accordingly, each prospective purchaser of Common LP Units is urged to consult with their own tax advisors with specific reference to their own tax situation.

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19.1. Appendix A: Detailed Biographies

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KUE Management

At the conclusion of this offering, the KUE management team will consist of the following individuals.

Principals

Michael Milken, Co-Founder and Chairman

Mr. Milken is Co-Founder and Chairman of KUE. One of America's leading philanthropists, he was called "The Man Who Changed Medicine" in a Fortune magazine cover story that chronicled his three decades of efforts to accelerate medical solutions. He Co-Founded the Milken Family Foundation in 1982 to advance programs in medical research and education. In 1993, Mr. Milken expanded his medical philanthropy by launching the Prostate Cancer Foundation, the world's largest private source of funding for research on that disease. A decade later, he concluded that progress wasn't coming fast enough, so he founded FasterCures, which seeks to shorten the path to breakthroughs for all deadly diseases. Mr. Milken also chairs the Milken Institute, a think tank who conferences feature opinion leaders and government officials from around the world. Among the many awards Mr. Milken has received is the Marcus Garvey Award for major contributions to the formation and inspiration of African-American businesses. He earned his bachelor's degree at the University of California at Berkeley, and his MBA from the University of Pennsylvania's Wharton School.

Steven Green, Vice Chairman

Steven Green, who served as the 12th U.S. Ambassador to the Republic of Singapore from 1997 to 2001, is Vice Chairman of KUE and Chairman and CEO of Greenstreet Real Estate Partners, a professional real estate firm. Ambassador Green previously served as Chairman and CEO of Samsonite Corporation, which was the major operating subsidiary of Astrum International Corporation. As Chairman of Astrum, Ambassador Green spearheaded the operating company's expansion into emerging markets in Eastern Europe, the CIS, Asia and the Middle East. In 1992, he opened the first American retailing center on Red Square. In 1995, President Clinton appointed him to the President's Export Council, where he served on the Executive Committee and chaired the Strategic Communications Committee. Ambassador Green is also Chairman and Chief Executive Officer of K1 Ventures Limited, a publicly traded investment company in Singapore, and is a board member of Greenstreet Realty, a company that manages a large portfolio of education-related real estate. In addition to his corporate responsibilities, he has been active in U.S. civic affairs, serving as a contributing trustee and director for a number of community and national organizations, including the University of Miami, the U.S. Chamber of Commerce and serves as Honorary Consul General of Singapore in Miami, Florida. The Green Family Foundation endows special projects in community and national service.

Lowell Milken, Co-Founder, President and Chief Executive Officer

Lowell Milken is President and Chief Executive Officer of KUE. He is also Chairman of London-based Heron International, a worldwide leader in property development and investment; Chairman of KU Education, Inc., a leading company in ECE and K-9 educational programs and services; and Chairman and Co-Founder of the Milken Family Foundation. Under his leadership, the Milken Family Foundation has become one of the most innovative private foundations in the U.S., developing groundbreaking programs in K-12 education. Mr. Milken created the Foundation's National Educator Award program, which today is the largest teacher-recognition program in the U.S. Dubbed the "Oscars of Teaching" by Teacher Magazine, it has awarded more than $50 million to honor more than 2,100 K-12 teachers and principals. Mr. Milken also launched the Teacher Advancement Program ("TAP") in 1999 as a comprehensive school reform to attract, develop, motivate and retain high quality teachers for America's schools. Today TAP schools are operating in 12 states impacting thousands of teachers and ten of thousands of students. Mr. Milken serves as Chairman of the Institute for Excellence in Teaching which among its many activities is the operation of the Teacher Advancement Program. Widely known as an educational pioneer and innovator, Mr. Milken has been recognized by numerous awards from such

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organizations as the National Association of State Boards of Education, the Horace Mann League, and the National Association of Secondary School Principals. Mr. Milken earned his bachelor's degree from the University of California at Berkeley, and his law degree from the University of California, Los Angeles.

Other Executives

Ted Sanders, Vice Chairman

Ted Sanders is Vice Chairman of KUE, as well as the Executive Chairman of Cardean Learning Group, which develops online post-secondary education and degree programs. Mr. Sanders previously served as the President of the Education Commission of the States and as Deputy U.S. Secretary of Education under President George H.W. Bush. He has been the Chief State School Officer in three U.S. states (Nevada, Illinois and Ohio) and University President at Southern Illinois University. He serves as an advisor to the School Evaluation Services Division of Standard and Poor's, the PDK Gallup Poll, MetaMetrics Inc., and the Government Accountability Office. He holds a doctor of education degree in educational administration and higher education from the University of Nevada at Reno.

Stephen Goldsmith, Senior Vice President, Strategic Planning and Worldwide Government Programs

Stephen Goldsmith is the Senior Vice President of Strategic Planning & Worldwide Government Programs for KUE. Mr. Goldsmith is also a Milken Institute Senior Fellow and the Dan Paul Professor of Government at Harvard University's Kennedy School of Government, is a nationally recognized expert on government management, reform and innovation. He is the author of several books, most recently, Governing by Network: The New Face of the Public Sector, and his columns have frequently been published in such papers as The Wall Street Journal and The New York Times. While serving two terms as Mayor of Indianapolis, he earned a national reputation for innovations in government as he reduced the city's bureaucracy, taxes, and counter-productive regulations, all while identifying more than $400 million in savings, which he then reinvested in a transformation of downtown Indianapolis and its urban neighborhoods. His work in Indianapolis has been cited as a national model. Prior to his two terms as Mayor, he was Marion County District Attorney for 12 years. Mr. Goldsmith formerly served as Special Advisor to President Bush, and Chief Domestic Policy advisor to President Bush in the 2000 presidential campaign.

Nina Shokraii Rees, Senior Vice President, Strategic Initiatives

Nina Rees is Senior Vice President of Strategic Initiatives for KUE, where she is responsible for furthering the company's goals of providing the highest-quality and most effective early childhood education and on finding innovative ways to improve K-12 educational outcomes. Before joining KUE, Ms. Rees had nearly 15 years of relevant experience in Washington, D.C., most recently as the Assistant Deputy Secretary for Innovation and Improvement at the U.S. Department of Education. In this post, she oversaw the administration of 28 grant programs and coordinated the implementation of several provisions of the No Child Left Behind Act. Prior to joining the Education Department, Ms. Rees served as a Domestic-Policy Adviser to Vice President Dick Cheney, and was involved in the effort to enact No Child Left Behind. She also served as the Senior Education Analyst at the Heritage Foundation. Ms. Rees spent two years on the staff of Rep. Porter Goss, R-Florida., while earning her master's degree in international transactions from George Mason University, and received her bachelor's degree in psychology from Virginia Polytechnic Institute and State University. Ms. Rees is fluent in French and Persian.

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Jeffrey Safchik, Chief Financial Officer

Jeffrey Safchik is the Chief Financial Officer of KUE. Mr. Safchik is also Managing Director and Chief Financial Officer of Greenstreet Real Estate Partners and also is one of its founders. He serves in a similar capacity for all the Greenstreet financial companies. Mr. Safchik is also Chief Operating Officer and Chief Financial Officer of k1Ventures, a publicly traded Singapore-based investment company. Previously, Mr. Safchik was CFO of a real-estate company that managed more than 11 million square feet of retail and commercial property across the U.S. He has served as CFO for a billion-dollar retailer, where he managed the company's financial affairs and was directly involved in its restructuring and strategic planning. Mr. Safchik graduated from Pace University in New York, received his master's degree in taxation from St. John's University, and has attended advanced finance and real estate courses at the Massachusetts Institute of Technology and New York University. He serves as a Trustee for the Green Family Foundation, is Chairman of the University of Miami Department of Pediatrics Children's Council and is active in a number of charities including the Marian Center for Under-privileged Children and the United Way.

Richard Sandler, General Counsel

Richard Sandler is General Counsel for KUE. Mr. Sandler is also Executive Vice President of the Milken Family Foundation and has been involved with the Foundation since its inception. A shareholder in the law firm of Maron & Sandler, he has practiced law since 1973, and specializes in real estate transactions and general securities and business law. He has also been involved since 1983 in consulting with respect to business acquisitions. Mr. Sandler is a member of the State Bar of California and has served on various boards of educational and philanthropic institutions, including the Executive Board of Heal L.A., as a Trustee of Brentwood School, and on the Board of the Foundations of the Milken Families. Mr. Sandler received a bachelor's degree from the University of California, Berkeley, and his juris doctorate degree from the UCLA School of Law.

Adam Cohn, Senior Vice President, Business Development

Adam Cohn is Senior Vice President of Business Development at KUE where he is responsible for investments, financings and business development for Knowledge Universe and its portfolio companies. Mr. Cohn has been at KUE, or related entities, since March of 2000. He has overseen the acquisitions and related financings of KinderCare Learning Centers Inc. and Aramark Educational Resources by Knowledge Learning Corporation. Previously, Mr. Cohn was with Whitney & Co., a leading private equity firm. Prior to Whitney & Co., Mr. Cohn was an investment banker in the Financial Sponsors Group at Bankers Trust Company and Deutsche Bank. Mr. Cohn serves on several private and public company board of directors. Mr. Cohn has a BS in Business from Skidmore College and a MBA from Columbia University.

Geoffrey Moore, Senior Vice President, Corporate Communications

Geoffrey Moore is Senior Vice President of Communications at KUE. He has also provided communications counsel to FasterCures, the Milken Institute, the Prostate Cancer Foundation and related organizations for several years. Prior to joining Knowledge Universe in 1998, Mr. Moore was Senior Vice President of Strategic Communications for Dow Jones Markets, a unit of Dow Jones, publisher of The Wall Street Journal. He served for 22 years in a wide range of communications management and speechwriting positions for IBM in the U.S. and Japan. Earlier, he was an Assistant to New York Governor Nelson Rockefeller, Press Secretary to U.S. Senate Minority Leader Hugh Scott, and Director of Public Information for the U.S. Equal Employment Opportunity Commission. His opinion articles have been published in The New York Times and other major publications. He graduated with a degree in political science from the University of Pennsylvania and studied law and public policy at that university's law school.

Michael Neumann, Vice President, Business Development

Michael Neumann is a Vice President of Business Development at KUE, where he works on investments, financings and business development for Knowledge Universe and its portfolio companies. Mr. Neumann has been at KUE, or related entities, since 2002. He has worked on the acquisitions and related financings of KinderCare Learning Centers Inc. and Aramark Educational Resources by Knowledge

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Learning Corporation. Previously, Mr. Neumann was with TCW / Crescent Mezzanine where he completed mezzanine financings primarily for leveraged buyout transactions. Prior thereto, Mr. Neumann worked in the investment banking division of Deutsche Bank (Bankers Trust) in the Financial Sponsors Group. Mr. Neumann earned a Bachelors of Business Administration from the University of Notre Dame.

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KUE Advisory Board

Les Biller

Leslie Biller is retired Vice Chairman & Chief Operating Officer of Wells Fargo & Company. Mr. Biller joined Wells Fargo in 1998, when it merged with Norwest Corporation. Prior to that, he spent nearly 11 years at Norwest, where he held various executive positions including Executive Vice President and head of Strategic Planning and Acquisitions, Executive Vice President and head of the company's South Central Community Banking operations, and President and Chief Operating Officer. Before joining Norwest, he was Executive Vice President and head of Consumer Markets at Bank of America, based in San Francisco. Mr. Biller joined Bank of America in 1985 as the Senior Vice President of International Consumer Markets. Prior to that, he was with Citicorp for 12 years, where he was a Regional Business Manager, U.K. Region; and Vice President and Business Manager, Italy. Mr. Biller serves on the Board of Directors of Ecolab Inc., and is a director of the Los Angeles Urban League, the Autry Museum of Western Heritage, and is a Founders Circle member of the Fulfillment Fund. He earned his MBA from Xavier University in Cincinnati, Ohio, and holds a bachelor's degree in chemical engineering from City College of New York.

Ted Mitchell

Ted Mitchell was recently named CEO of the New Schools Venture Fund after having served on the New Schools Board of Directors for seven years. Mr. Mitchell previously served as president of Occidental College for six years. Immediately prior to Occidental, he served as Vice President for Education and Strategic Initiatives of the J. Paul Getty Trust. He was also the Deputy to the President at Stanford University, Vice Chancellor at UCLA, and a Professor of Education at Dartmouth. Mr. Mitchell is an Education Advisor to California Senator Dianne Feinstein and served as a Senior Education Advisor to Los Angeles Mayor Richard Riordan.

Tsvi Gal

As Chief Technology Officer for Deutsche Bank Asset Management ("Deutsche Bank"), Tsvi Gal is responsible for constructing an industry leading, state of the art, evolutionary architecture which has competitively positioned Deutsche Bank for future growth through innovation, processing scale and efficiency. Prior to joining Deutsche Bank, Mr. Gal was responsible for overseeing global IT operations at Warner Music Group ("WMG"), formerly part of the Time Warner family of operations and now a privately-held multinational music and publishing company. He lent his considerable global technical expertise to the task of integrating WMG's global systems and exploring technological synergies, as well as maximizing the opportunities presented by new technologies. Prior to joining WMG, Mr. Gal held the role of president of AT&T's ATT.COM from 2000 to 2002, where he was responsible for AT&T's E*Business and E*commerce activities. In this position, he oversaw the revitalization of AT&T's presence in the market ensuring its transition into a modern era electronic business market leader. Earlier, Mr. Gal was the Chief Technology Officer for Enterprise Technology services at Merrill Lynch & Company, where he helped build the electronic trading system. From 1996 to 1999, he was Executive Vice President and CIO of North America Applications ABN AMRO Bank, one of the world's largest global banks. Mr. Gal is a computer-science graduate of Rutgers University, and holds an MBA from Golden Gate University.

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KLC Management

KLC Key Management			
Name	Position	Years with Company	Industry Exp.
Elanna Yalow	President and COO	16	19
Dan Jackson	CFO	9	9
Toni Jaffe	SVP of Human Resources	1	1
Eva Kripalani	SVP & General Counsel	9	9
Marcy Suntken	SVP of School Partnerships	14	20
Dan Frechtling	SVP of Business Development	1	1
Sharon Bergen	SVP of Education and Training	18	18
Steve Brown	President, KCDL	1	1
Total		69	78
Average		8.6	9.7

Elanna Yalow, Ph.D., President and Chief Operating Officer

Dr. Yalow has been President and Chief Operating Officer of KLC since January 1996, having joined the company in 1989 to initiate development of the employer-sponsored services division. Currently, Dr. Yalow is responsible for supervising all center operations and support functions. Her educational degrees include a Ph.D. in educational psychology from Stanford University School of Education in 1980 with an emphasis on the design and evaluation of educational programs for children as well as an M.B.A. from Stanford University's Graduate School of Business in 1989. With a background in educational research and development, Dr. Yalow contributed to numerous statewide and national curriculum development and assessment projects. Dr. Yalow has written extensively on matters related to the education of young children.

Mark Moreland, Executive Vice President, Finance and Chief Financial Officer

Mr. Moreland is Executive Vice President and Chief Financial Officer of Knowledge Learning Corporation (KLC). Mr. Moreland joined KLC during 2006. Prior to joining KLC, Mr. Moreland was Interim CFO with Movie Gallery, Inc.; the $2.6 billion holding company of the Movie Gallery and Hollywood Video movie rental stores with 4,700 stores nationwide. Before being appointed interim CFO, Mr. Moreland served as Senior Vice President, Finance and Treasurer. Before joining Movie Gallery, he was with Kmart Corporation in both merchandising finance and treasury capacities, last holding the role of Divisional Vice President, Assistant Treasurer. Mr. Moreland has also worked with Deloitte Consulting, Blue Shield of California and the U.S. General Accounting Office. Mr. Moreland earned an MBA from the University of Michigan and a B.S. in Economics from the University of Texas at Arlington.

Eva Kripalani, Senior Vice President and General Counsel

Ms. Kripalani became KLC's Senior Vice President and General Counsel in January 2005. Prior to that, Ms. Kripalani served as Senior Vice President, General Counsel and Secretary of KinderCare since July 2001. She joined KinderCare in July 1997 as Vice President, General Counsel and Secretary. Prior to joining KinderCare, Ms. Kripalani was a partner in the law firm of Stoel Rives LLP in Portland, Oregon, where she had worked since 1987. Ms. Kripalani received her J.D., magna cum laude, from the

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Willamette University College of Law in 1986 and her B.S. in Finance-Law, magna cum laude, from Portland State University in 1983.

Dan Frechtling, Senior Vice President, Marketing and Business Development

Mr. Frechtling was named Senior Vice President, Marketing and Business Development in 2005. Prior to joining KLC, Mr. Frechtling served as Vice President, Strategy and Business Development and Director, Marketing at Mattel. He was Vice President, Corporate Development at Stamps.com and Senior Associate at McKinsey & Company. He serves on the board for the Portland-Suzhou Sister City Association. Mr. Frechtling graduated from Northwestern University in 1993 and earned his MBA from Harvard Business School in 1997.

Sharon Bergen, Senior Vice President, Education and Training

Ms. Bergen joined KLC in 1997 and has held several progressively responsible positions in the Education and Training Department until her promotion to Vice President in 2002 and her current position in 2005. As Senior Vice President of Education and Training, Ms. Bergen oversees company-wide curriculum program development, implementation and training activities. Ms. Bergen earned a B.S. in Child Development from Minnesota State University and an M.A. in Early Childhood Education from Concordia University. Her career includes a rich variety of professional experiences in the early childhood field including prior work with several child care companies and non-profit agencies. She is a member of numerous educational organizations, including the National Association for the Education of Young Children (NAEYC) and the American Society of Training and Development (ASTD), and serves on a variety of advisory councils, task forces and committees within the early childhood profession.

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Real Estate Management Team / Greenstreet Real Estate Partners

Steven Green, Chairman and Chief Executive Officer

See KUE Advisory Board section for complete biography

Jeffrey Safchik, Chief Operating Officer and Chief Financial Officer

See KUE Advisory Board section for complete biography

Steven Cox, Executive Vice President, Real Estate

Mr. Cox has over 25 years of real estate development, investment, and asset management experience. Prior to joining Greenstreet, Mr. Cox was Managing Principal of Tishman Heskin Partners. Tishman Heskin is a national real estate investment and asset management firm focused upon opportunistic acquisitions of real estate and loan assets. At Tishman Heskin, Mr. Cox's activities included all aspects of strategic direction, market analysis, acquisition, positioning / re-positioning, leasing, and disposition of over $245 million of real estate nationwide. Since 1992, during Mr. Cox's term at Tishman Heskin Partners, the company consistently delivered above average returns to its investors, many of whom were offshore private clients. His experience in co-investing as a principal with globally oriented private clients provides Mr. Cox with a firm understanding of his primary role of investment origination on behalf of GCP. Prior associations include the Heskin Group, Towle Heskin Partners, Heskin Signet Partners and TCF Service and Mortgage Corporation. In 1986, as a founding member and principal of the Heskin Group (the managing member of the Towle Heskin Partners and Heskin Signet Partners), Mr. Cox oversaw the asset management direction and disposition of over $1 billion in real estate and loan assets together with financial and sale advisory assignments covering assets in excess of $2 billion in book value. Mr. Cox holds a B.S.B. in Finance with additional studies in Economics from the University of Minnesota.

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KSI Board of Directors

Les Biller, Director

See KUE Advisory Board section for complete biography.

Ralph Finerman, Director

Mr. Finerman became a director of KLC in 1999. Mr. Finerman is the President of RFG Financial Group, Inc., a position he has held since 1994. Mr. Finerman is a CPA and an attorney and practiced in New York prior to forming RFG Financial Group, Inc. in 1994. Mr. Finerman also serves as a director of Nextera Enterprises, Inc. and as an officer or director of other privately-held affiliates of KLC and Krest LLC.

Stephen Goldsmith, Director

See KUE Management section for complete biography.

Steven Green, Director

See KUE Management section for complete biography.

Stanley E. Maron, Director

Mr. Maron became a director of KLC in 2004. Mr. Maron is a senior shareholder in the law firm of Maron & Sandler, a position he has held since September 1994. Mr. Maron is also a director of LeapFrog Enterprises, Inc. and Nextera Enterprises, Inc., and serves as an officer or director of various other privately-held affiliates of KLC and Krest LLC.

Lowell Milken, Director

See KUE Management section for complete biography.

Wendi Murdoch, Director

Wendi Murdoch is currently an advisor to News Corporation on its business development in the Asia Pacific region. Mrs. Murdoch is responsible for identifying and evaluating business opportunities in new media and the Internet, managing relationships with government organizations and officials, recruiting personnel and locating local partners. Previously, she served as the Vice President of News Corporation's Asian satellite network, the Hong Kong based Star TV. In that capacity she was instrumental in formulating STAR Sports and ESPN Asia. Mrs. Murdoch holds a Bachelors degree in economics from California State University at Northridge and an MBA from Yale University.

Jeff Safchik, Director

See KUE Management section for complete biography.

Richard Sandler, Director

See KUE Management section for complete biography.

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*k*12 Management

Ron Packard, Chairman and Founder

Mr. Packard serves as Chairman of the Executive Committee of *k*12 and as acting Chief Executive Officer. Prior to co-founding *k*12 and since 1997, Mr. Packard has been an executive officer of KU Schools, whose subsidiaries and business ventures include early childhood education, charter school education, and after school programs. From 1994 to 1997, Mr. Packard served as President of Forestal Trillium Limitada, a South American company. Mr. Packard also has worked as a consultant for McKinsey & Company and a mergers and acquisitions specialist at Goldman Sachs. Mr. Packard also serves on the Advisory Board for Department of Defense Schools. Mr. Packard holds a B.S. and B.A. from the University of California at Berkeley and an M.B.A. from the University of Chicago. He is also a Chartered Financial Analyst.

John Baule, Executive Vice President of Operations and Chief Financial Officer

Mr. Baule previously served as CFO for Headstrong, a global consultancy based in Fairfax, Virginia, from 1999 to 2004. At Headstrong he was responsible for activities ranging from raising funds, to strategy, to daily process improvement on a global basis. Mr. Baule acted as Mead-Johnson's CFO in their international office in Hong Kong. Prior to Headstrong, Mr. Baule spent nine years at Bristol Myers-Squibb in a variety of international accounting and finance roles. Mr. Baule began his career at KPMG. He holds a B.B.A. in accounting from the College of William and Mary in Williamsburg, VA.

Bror Saxberg, Senior Vice President, Learning and Content

Bror Saxberg serves as Senior Vice President of Learning and Content of *k*12. From 1998 to 2000, Dr. Saxberg served as Vice President of Operations at Knowledge Testing Enterprises, a developer of Web-based assessments for IT skills, where he was responsible for technology, testing and operations. From 1995 to 1997, Dr. Saxberg served as Publisher and General Manager of DK Multimedia, and he has also worked as a consultant for McKinsey & Co. Dr. Saxberg holds a B.S. from the University of Washington, an M.A. from Oxford University, a Ph.D. from MIT and an M.D. from Harvard University.

Thomas Boysen, Senior Vice President, Chief School Officer

Mr. Boysen serves as Senior Vice President and Chief School Officer of *k*12. Previously, he was COO of the Los Angeles Unified School District. Prior to this, Mr. Boysen was State Commissioner of Education in the State of Kentucky. He has also served as superintendent of schools for the San Diego Unified and Conejo Valley Unified school districts.

Charles Zogby, Senior Vice President, Education Policy

Mr. Zogby, serves as Senior Vice President of Education Policy. Previously, he served as Secretary of Education for the Commonwealth of Pennsylvania, where he helped craft one of the most successful and comprehensive education reform agendas in modern Pennsylvania history and lead the state's development and legislative passage of the U.S.' first comprehensive cyber charter school law. Prior to his appointment, Mr. Zogby served as Pennsylvania Gov. Ridge's policy director, where he was responsible for coordinating policy development and initiatives across 18 executive branch agencies. Mr. Zogby earned a bachelor's degree in economics from St. Lawrence University and his law degree, with distinction, from George Mason University School of Law.

John Holdren, Senior Vice President, Curriculum

Mr. Holdren serves as Senior Vice President of Curriculum of *k*12. From 1991 to 2000, Mr. Holdren served as Vice President and Director of Research and Publications at Core Knowledge Foundation. While at Core Knowledge Foundation, Mr. Holdren oversaw the development of the Core Knowledge Sequence: Content Guidelines for Grades K-8 and co-edited the Core Knowledge Series resource books. Mr. Holdren also has taught literature and writing at the University of Virginia and Harvard University. Mr. Holdren holds a B.A. from The Johns Hopkins University and an M.A. from the University of Virginia.

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19.2. Appendix B: Knowledge Learning Corporation: Management's Discussion & Analysis of Financial Condition and Results of Operations for the Fiscal Years Ended December 31, 2005, 2004 and 2003

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25 August, 2011

Article 1.	Scientific American **Is Muammar Qadhafi Clinically Psychotic?** John Matson
Article 2.	The Financial Times **Why Libya sceptics were proved badly wrong** Anne-Marie Slaughter
Article 3.	Foreign Policy **Sinai's Bedouin run amok in post-Mubarak Egypt** Mohamed Fadel Fahmy
Article 4.	The National Interest **Foreign-Policy Failure** Dimitri K. Simes
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Article 1.

Scientific American

Is Muammar Qadhafi Clinically Psychotic?

John Matson

August 23, 2011 -- OUT OF TOUCH: The bizarre statements Col. Muammar Qadhafi has made in the past several months may result from a self-imposed insulation from reality, rather than a delusional detachment from it. Six months after a civil uprising began in Libya, Col. Muammar Qadhafi, the nation's longtime leader, finally seems to have lost his grip on the country he ruled for more than 40 years. Did he also, at some point, lose his grip on reality? As the conflict spread across Libya, Qadhafi made a number of bizarre statements to members of the media, denying that demonstrators were angry with the government and even claiming that any conflict that might be unfolding was the result of drinks spiked with hallucinogenic drugs. More recently he has pledged to defend the capital, Tripoli, even as rebel forces swept through the city with surprising swiftness. Was Qadhafi deluded about the state of his nation or was he simply unwilling to accept that his time had come? To get some insight on the Libyan leader and other out-of-touch dictators, we spoke to Jerrold Post, a professor of psychiatry, political psychology and international affairs, and director of the Political Psychology Program at George Washington University. Post is a CIA veteran who has written psychological profiles of a number of world leaders.

What is it about leaders like Qadhafi that makes them unable to see or accept their own impending downfall?

Leaders like this? I'm not sure there are other leaders like Qadhafi. In terms of many of the autocratic dictators who went down with bewildering speed in the Arab Spring, one of the reasons the public dismay—what then becomes revolutionary fervor—is so startling is they are really protected by this circle around them from understanding how their popularity is ebbing. They can have a very unrealistic understanding and believe, as Qadhafi stated again and again, "My people, they all love me." I found this language of his quite remarkable. And with Qadhafi as an exaggerated example, this is true of any of the other leaders, too—namely, they believe they have widespread support. If there are public demonstrations against them, that must reflect outside agitators. This was true with [ousted Egyptian president Hosni] Mubarak as well. He spoke of outside conspiracies. But it is particularly true of Qadhafi. There is an interesting kind of almost syllogism for him: "My people all love me, and therefore if there is anyone protesting against me, they are not really my people, and that must be a consequence of outside provocation." And one of the points that he made early on was that this was crazed youth who were on hallucinogens with which their Nescafe had been laced, which I thought was rather creative, really. I found Qadhafi's language in general very striking. And what is most interesting about it is it is entirely in the first person singular: "My people all love me. They will support me. My people, they love me." It was very "me" centered. A vivid contrast—and this will seem like a ludicrous comparison—was Churchill during World War II. Churchill always spoke in first person plural, and his way of strengthening the morale of his people was to talk about "us," "our trials and tribulations," to identify with the people. It was a remarkable case of charismatic leadership. Qadhafi, in contrast, speaks only about himself. He identifies himself as the creator of Libya, and one of his early quotes said, "I created Libya, and I can

destroy it."

Are Qadhafi and other deposed leaders deluded in thinking all is well in their kingdom or their country?

Deluded isn't quite the word, because if you're surrounded by a group of sycophants who tell you what you want to hear, not what you need to hear, you can be in touch with reality by psychological tests but quite out of touch with reality politically. With Saddam Hussein, this was particularly true—where to provide criticism of him was either to lose your job or lose your life. Everyone was constantly praising him and his brilliance, and he was spared wise council.

In addition to these circles of sycophants, is narcissism a common trait among autocrats?

That is a wonderful question. I'm just putting the finishing touches on my capstone book, which will be called *Dreams of Glory: Narcissism and Politics*. I see narcissism as being a very powerful explanatory factor for many of these leaders, who display a number of traits of narcissism. One is they have a really exalted self-concept on the surface, and are very sensitive to slight or any information to the contrary. So they can get very angry if someone questions them. Secondly, when there is something that shatters that image—and this will be interesting to see what happens with Qadhafi—there can be what's called a narcissistic rage. So, for example, with Saddam Hussein as he was exiting Kuwait, lighting the oil wells on fire—that was probably an example of that. Their interpersonal relationships are very disturbed, and they surround themselves with people who make them feel good. So that it is really a great hazard to in any way criticize the leader. Qadhafi did a great deal to hollow out the

institutions of government, and while he said that he couldn't give up his position because he had no position—which was literally true—he was appointed the eternal guide of the Libyan people, with no authority over them. But in fact, 20 percent of the people's committees had counterintelligence responsibilities for sniffing out people plotting against him, who were always dealt with very harshly. Even when people fled Libya he would track them down, and he even made an assassination attempt of a Libyan exile living in the United States early on.

In a profile that you wrote for *Foreign Policy* in March, you mention that Qadhafi has some hallmarks of a borderline personality. How does that manifest itself?

This will sound slightly sarcastic, but the borderline refers to individuals—it kind of comes from the borderline between neurosis and psychosis—who can often function perfectly rationally but may under certain stresses go below the border and have their perceptions distorted and their actions impaired. The two circumstances where Qadhafi seems to go below the border are A, when he's succeeding; and B, when he's failing. An example of when he's succeeding would be when he was marching toward Benghazi with very little resistance. He can really get almost high and feel invulnerable. When he promised he would search down his enemies from room to room, which partially contributed to the NATO reaction to him, that's an example of that kind of exaggerated belligerent high he can go on. On the other hand, when he is suffering, when he is under pressure, and particularly when he is not being seen as the powerful and exalted leader—and that's really the case to an extreme now—it hits another place in his psychology, and that's the kind of noble Arab warrior who will stand tall against superior force. There was an

example in the 1970s when he had declared that Libyan sovereignty extended to 200 miles off its coast, when international waters start at 12 miles. He declared that anyone who crossed this "line of death" would be subject to attack. The U.S. was planning maneuvers in the Gulf of Sidra and went inside this 200-mile zone. Qadhafi sent out three sorties of jets against them, which were promptly shot down. But after, it was interesting. He said, "I want to thank the United States for making me a hero to the Third World." Standing tall against a superior adversary has great value in the Arab world.

In your view, is there anything that Qadhafi could have done to remain in power or is he just fundamentally out of touch with Libya today?

One should remember back to Saddam Hussein again, and how long it was before we finally found him. I believe that until the end he believed that he could get past this and would reach heroic stature for standing up against the enemy, and that his people would support him. A couple of questions get asked about leaders here. A, would he go off to a lush exile as, say, [former Haitian president] "Baby Doc" Duvalier did? Or B, would he commit suicide? I don't think either of those is in the cards for Qadhafi. In fact, he gave this defiant speech on August 21, which insisted that he was in Tripoli and wouldn't surrender: "We cannot go back until the last drop of our blood. I am here with you. Go on. Go forward." And in a brief television statement the same day, "Go out and take your weapons, all of you. There should be no fear." It's a rather different thing than Churchill, who was advised to move out of London and instead stayed there to absorb the Blitz along with the British people. He was sort of a role model for heroism and spoke—again in the first person plural—about, "We will stand tall, we will resist this tyranny." It was really

remarkably inspiring. But with Qadhafi, again, it's always the "me," and that goes back to your narcissism. He has a very difficult time, as most narcissists do, empathizing with the pain and suffering of others. Everything is about him.

So how do you see this playing out for Libya?

Well, it's quite clear that the rebels are in control, but things will not really be fully clarified until Qadhafi is either killed, forced to surrender when there's no one left around him or goes down in a blaze of bullets. I gather there has been some talk about him going into exile in Tunisia. That's not totally out of the question, but if he does so, that's not with the idea of giving up so much as temporarily taking refuge there in order to continue on as the leader of Libya. So I think that there's every reason to believe that what we are seeing is the last act, but it could be prolonged until they actually succeed in capturing him. Of course part of what makes it so difficult for him to leave is the indictment by the International Criminal Court in the Hague. His son Saif al-Islam is also indicted for crimes against humanity. So there really is no way out for him. I think it's important to note that his most important audience is the mirror. And when he says these things he really does believe them. It's sounds crazy, but it's kind of like, "Mirror, mirror, on the wall, who's the most important Muslim Arab Third World leader of them all?" And the answer is, "You, Muammar." He is really going have a very difficult time seeing people celebrating his going down, in terms of trying to sustain that heroic inner image.

Article 2.

The Financial Times

Why Libya sceptics were proved badly wrong

Anne-Marie Slaughter

August 24, 2011 -- Let us do a thought experiment. Imagine the UN did not vote to authorise the use of force in Libya in March. Nato did nothing; Colonel Muammer Gaddafi over-ran Benghazi; the US stood by; the Libyan opposition was reduced to sporadic uprisings, quickly crushed. The regimes in Yemen and Syria took note, and put down their own uprisings with greater vigour. The west let brutality and oppression triumph again in the Middle East.

This is the scenario many wise heads were effectively arguing for with their strong stands against intervention to stop Col Gaddafi. Over the months those analysts have reminded us of their views, calling Libya a quagmire. This week one of the leading proponents of that position, my friend and colleague Richard Haass, shifted gears – but only to remind us just how hard the road ahead in Libya is likely to be. I do not know anyone, regardless of the side they took in the initial debate, who thinks this task will be easy; indeed, the battle against Col Gaddafi is not yet won. But not so fast. Before we focus on what must happen next, let us pause for a minute and reflect on that initial debate and the lessons to be learnt.

The first is that, against the sceptics, it clearly can be in the US and the west's strategic interest to help social revolutions fighting for the values we espouse and proclaim. The strategic interest in helping the Libyan opposition came from supporting democracy and human rights, but also being seen to live up to those values by the 60 per cent majority of Middle Eastern populations who are under 30 and

increasingly determined to hold their governments to account. This value-based argument was inextricable from the interest-based argument. So enough with the accusations of bleeding heart liberals seeking to intervene for strictly moral reasons.

We also now know how different intervention looks when we help forces who want to be helped. East Timor, Bosnia-Herzegovina, Kosovo, Libya – all cases where force evened out odds between a brutal government and a widespread and legitimate social or national movement. It is difficult to know when a state has failed in its responsibility to protect its people, particularly when secession is involved. This is why international authorisation is both required and difficult to obtain. But the contrast with Iraq and Afghanistan, where external invasion saw the US often labelled as an enemy, is enormous.

Another clear lesson: the depiction of America as "leading from behind" makes no sense. In a multi-power world with problems that are too great for any state to take on alone, effective leadership must come from the centre. Central players mobilise others and create the conditions and coalitions for action – just as President Barack Obama described America's role in this conflict. In truth, US diplomacy has been adroit in enabling action from other powers in the region, and then knowing when to step out of the way.

That said, we must not focus just on states, because Libya also shows that social forces are increasingly powerful drivers of foreign policy. Those forces have now pushed both the west and Arab governments into taking a much harder line than simply geostrategic logic would dictate against Bashar al-Assad's brutality in Syria, and even (albeit timidly) against torture and killings by the Bahraini government. Social movements are also beginning to reshape politics in Israel and India.

Looking forward, it is really not up to the west, much less the US, to plan Libya's transition. It is a relief to see so many articles and statements reflecting lessons learnt from Iraq. But the Libyans are far ahead of where the US was when the initial fighting ended in Iraq. The National Transitional Council has a draft constitutional charter that is impressive in scope, aspirations and detail – including 37 articles on rights, freedoms and governance arrangements.

The sceptics' response to all this, of course, is that it is too early to tell. In a year, or a decade, Libya could disintegrate into tribal conflict or Islamist insurgency, or split apart or lurch from one strongman to another. But the question for those who opposed the intervention is whether any of those things is worse than Col Gaddafi staying on by increasingly brutal means for many more years. Instability and worse would follow when he died, even had he orchestrated a transition.

The sceptics must now admit that the real choice in Libya was between temporary stability and the illusion of control, or fluidity and the ability to influence events driven by much larger forces. Welcome to the tough choices of foreign policy in the 21st century. Libya proves the west can make those choices wisely after all.

The writer is a former director of policy planning for the US state department

Article 3.

Foreign Policy

Sinai's Bedouin run amok in post-Mubarak Egypt

Mohamed Fadel Fahmy

AUGUST 24, 2011 -- The landscape of Egypt's lawless North Sinai governorate is punctuated by the bullet-riddled, torched police station of Sheikh Zuweid, a densely populated town roughly nine miles from the Gaza border. It is just one of the security buildings that has fallen victim to the long-running clashes between the military and the Bedouin tribes of the region, clashes that have only escalated since Egypt's revolution. Hosni Mubarak's regime branded the Bedouin, a largely nomadic and clan-based people, as outlaws who threatened Egyptian sovereignty. As his rule collapsed in February, and afterward, the Bedouins sought retribution against the security services that long oppressed them, attempting to carve out a degree of autonomy in the region. The unrest has turned into an economic headache for Egypt's new military rulers: The pipeline that supplies 40 percent of Israel's natural gas has been bombed five times since the revolution, halting the country's natural gas exports. But more importantly, Sinai has become a breeding ground for Islamist extremism and violence that -- barring a dramatic improvement in relations between the Bedouins and the central government in Cairo -- threatens Egypt and the region at large. Sinai's lawlessness recently sparked an international incident: On Aug. 18, gunmen carried out a string of attacks in southern Israel that left eight Israelis dead. The Israeli government, which claimed that the attackers were militants from the Gaza Strip who had crossed into Israel through the porous Sinai border, retaliated by launching attacks in both Gaza and Egypt.

That same night, five Egyptian soldiers were killed and several injured during an attack on the Egyptian side of the border. Lt. Col. Amr Imam, a media spokesman for the Egyptian military, said that the officers were killed by an Israeli Apache helicopter that fired two rockets. "It may have been a mistake," he said. Also on Aug. 18, a man wearing an explosives belt blew himself up at an Egyptian checkpoint 11 miles from the Sinai town of Taba, killing an officer and injuring two others. "The body of the dead officer and the unidentified head of the bomber were brought over to the hospital," said Abel Wahab, a doctor in the emergency department of the hospital in el-Arish, North Sinai's capital. The Israeli operation outraged the Egyptian public and prompted thousands to protest outside the Israeli Embassy in Cairo. Amid rumors that Egypt might recall its ambassador from Tel Aviv, the Egyptian government also brushed off a rare Israeli statement of regret as "not in keeping with the magnitude of the incident and the state of Egyptian anger."

In Sinai, that anger is more palpable -- but it's more often directed at the Egyptian state. Ibrahim al-Menaei, a leader of the Swarkeh tribe, considered the most powerful tribe in the north, told me that Mubarak's formally dissolved state security apparatus was to blame for the lack of law and order in the region. He accused the security forces of framing his people for crimes that they did not commit and labeling them as drug and weapons dealers. "I will not let a single police officer into this region until they give in to our demands," Menaei explained as he sat in the sanctuary of his safe house a few kilometers south of the Israeli border, surrounded by his five sons and armed disciples. He called on the new Egyptian government to repeal laws that prevent the Bedouins from owning land, abolish all absentia sentences against Bedouins that were issued during Mubarak's rule, and prosecute police officers responsible for killing Bedouins. There are in fact two Sinais: the impoverished north and

the more-developed south, home of beach resorts catering to international tourists. The security vacuum may have turned Sinai into a regional hot spot, but it is also an economic boon to Bedouin leaders, who have thrived off what is literally an underground economy. Menaei said that he spent $100,000 to construct a subterranean tunnel large enough to smuggle cars into nearby Gaza. "As many as 200 cars a week were smuggled through," he said. "Hamas gets $1,000 per car as tax," he explained. "The buyer pays me the car's price and rent money for using the tunnel -- $5,000 for a car and around $8,000 for a truck." Such a lucrative source of revenue requires significant weaponry to protect it. "This is our operation room," Menaei boasted, showing off two 14.5 mm anti-aircraft machine guns stored in the corner of the room, covered with bedsheets. The smugglers showed me one of their blockade-busting tunnels positioned to relieve the Gazans' suffering from the Israeli blockade and sanctions. It was equipped with ventilation and lighting systems, as well as network boosters meant to amplify the mobile-phone signal. Its entrance was well hidden between man-made huts and fences located amid an olive tree field in the desert. "I get $50 for every Palestinian I smuggle into Sinai," Menaei said, explaining that Hamas supervises the smuggling operation from the Gaza side of the border. Standing nearby, one of his sons demonstrated how the smugglers plunge safely into the tunnel using a rope tethered above ground. Salem Aenizan, a fugitive leader from the Tarabin tribe, insisted that the Bedouins' links to Gaza are based on financial interest rather than an ideological affinity with Hamas. He told me that the tunnels are used to smuggle food, cars, medicine, and construction materials -- but that the weapons trade ceased after Hamas's 2007 takeover of Gaza and that the smugglers refuse to transport suicide bombers or people intent on kidnapping tourists. But the Bedouins' entrepreneurial spirit has nevertheless led to some

interesting opportunities. "We built the Gaza Zoo," Aenizan boasted. "I received $20,000 once for smuggling a tiger. We had to drug it." For the Bedouins, the profits that they reap from smuggling are only compensation for generations of neglect and outright hostility from Egypt's central government. "Only 10 percent of my people benefit from the tourism industry," Aenizan said. "The rest is pocketed by Egyptian tycoons." It is not unusual for Bedouins to refer to non-Bedouins as "Egyptians" -- a sign of their detachment from Egyptian society. Running water is still scarce in many areas of Sinai, another sign of the government's negligence. Although most Bedouins hold Egyptian citizenship, they are not allowed into the high ranks of the military, according to Aenizan and Menaei.

Aenizan, who is wanted on an 80-year sentence for allegedly smuggling goods, described how interactions with the corrupt judicial system often sour Bedouins on the state. "They jailed our women to force us to turn ourselves in," he said, attempting to justify his contempt toward the government. "I didn't even enter a court or have a lawyer. They ask you to be an informer. If you refuse, they frame you." The Bedouins' long-simmering frustration with the Egyptian state boiled over during the mass protests that led to Mubarak's fall from power. Three police officers were kidnapped by armed men in el-Arish during the height of the revolution, and their whereabouts still remain unknown. Tourists fled the city as lawlessness grew more pronounced. But while Sinai's disorder has mainly been exploited by people looking to make a quick buck, a disturbing ideological element has also tried to fill the political space. On July 29, during a protest calling for an Islamic state after Friday prayers in el-Arish, close to 100 armed militants mounted on motorcycles and pickup trucks stormed through the city waving black flags, terrorizing residents, and attacking the police station. Gun battles with security forces lasted for hours, leaving seven people dead, including two

police officers and a 13-year-old boy caught in the crossfire, according to Gen. Saleh el-Masry, head of North Sinai security. Masry said that the attackers belonged to the radical Islamist group Takfir wal-Hijra, as well as Palestinian factions that snuck through the tunnels. "The Takfiris" -- extremist militants with a dogmatic, exclusionary ideology -- "have become more active during the revolution," he said, claiming that Egyptian security forces had arrested 12 of the assailants in the el-Arish attack, including three Palestinians. The spike in violence has been fueled by outlaws who escaped Egypt's prisons during the anarchy that accompanied Mubarak's fall. Deputy Interior Minister Gen. Ahmed Gamal El Din told me in an interview that 23,000 criminals escaped from Egypt's prisons during the revolution and that only 7,300 had been rearrested or turned themselves in as of May. The prison breaks also freed some men allegedly linked to al Qaeda, who appear to be attempting to establish a foothold in Sinai's ungoverned spaces. Maj. Yaser Atia of Egypt's General Security confirmed that Ramzi Mahmoud al-Mowafi, also known as "the chemist" for his expertise in preparing explosives, escaped a Cairo prison on Jan. 30. The fugitive's prison files presented to me indicate that the 59-year-old Egyptian had fled to Afghanistan and joined al Qaeda. Upon his return to Egypt he was given a life sentence by a military tribunal, though more details on the charges against him remain unclear. Egyptian intelligence sources told me that Mowafi is currently in Sinai, though they played down the threat he posed. And then there is the matter of the fliers. On July 29, the residents of el-Arish found a flier labeled "A statement from al Qaeda in the Sinai Peninsula" distributed throughout their neighborhoods. It describes Islam as the only true religion and criticizes the Camp David agreement that led to the Israeli-Egyptian peace treaty. Gen. Abdel-Wahab Mabrouk, the governor of North

Sinai, said that the fliers had been distributed outside mosques after Friday prayers by men who covered their faces with scarves. Several days later, another purported al Qaeda flier appeared around el-Arish -- this time announcing that the organization was planning to attack police stations on Aug. 12. For the Egyptian security services, that was one provocation too far. On that day, stunned residents of el-Arish woke to find thousands of troops from the Egyptian 2nd Army, accompanied by police officers and border guards, deployed in an "anti-terror" crackdown in Sinai. The operation's first phase entailed securing government buildings, police stations, and the el-Arish prison. The offensive started on Aug. 15, as one Egyptian militant was killed and 12 were arrested, according Hazem al-Maadawi, a police officer involved in the operation. State news agency EgyNews said authorities are targeting 15 more people who participated in attacks at the el-Arish police station, including members of the al Qaeda-affiliated Palestinian group Jaish al-Islam. These extremist rumblings have frayed nerves in the Israeli government, which had already been skeptical of the Egyptian revolution. Israeli Prime Minister Benjamin Netanyahu told a Knesset committee on May. 30, "Global terrorist organizations are meddling [in Sinai] and their presence is increasing because of the connection between Sinai and Gaza." If there is any hope of restoring order to Sinai, it lies in a historic rapprochement between the Bedouins and the Egyptian security forces to drive out these unwanted interlopers. Bedouins have signaled their willingness to help restore security, but are also calling on the Egyptian government to do its part by finally integrating them into Egypt's social fabric. "We will not let a single Palestinian suspected of ill intentions into Sinai after the attacks," said Muhammed al-Ahmar, a Bedouin and human rights activist. "But, we are fed up with empty promises, and if the police mentality does not change, then nothing will work. It's time for Sinai to flourish

and regain its full rights." Egypt's new government has made tentative steps in that direction: Members of the Supreme Council of the Armed Forces, accompanied by the deputy interior minister and members of the military intelligence, held a meeting on Aug. 20 in the el-Arish military club, in a conference hall with Bedouin sheikhs representing each tribe in Sinai. At the meeting speakers from both sides expressed their willingness to cooperate in bringing the security situation back to normal and to bury the hatchet "for love of Sinai." The government officials announced their concessions, including promises to soon issue a new law regarding land ownership in the region and to revisit the files of those Bedouins sentenced in absentia; the Bedouins dutifully clapped at the news. Several Bedouin sheikhs subsequently took to the podium and announced their intentions to assist in securing the region.

The government's planned reforms are a good start, but after years of neglect, it's going to take more than promises to win over the Bedouins. If Egypt is truly concerned about securing Sinai, it must quickly turn its words into actions.

Mohamed Fadel Fahmy is the author of Baghdad Bound and works as a freelance news producer/journalist for CNN in Cairo.

Article 4.

The National Interest

Foreign-Policy Failure

Dimitri K. Simes

August 24, 2011 -- PRESIDENT BARACK Obama is in many respects the opposite of Richard Nixon and George H. W. Bush, both foreign-policy presidents who subordinated their domestic ambitions to America's national-security requirements. Moreover, where Obama has succeeded internationally, his successes have been largely tactical rather than strategic, reflecting the fact that he is fundamentally a domestic leader with a European-style socialist agenda but little or no foreign-policy vision. This lack of an international agenda is why the president may be called a pragmatist, but not a realist.

One result of all this is that his administration's foreign-policy choices often appear substantially driven by political expediency—and particularly a desire to avoid domestic criticism, something apparent in both the president's surge in Afghanistan and his later plan for withdrawal. Another is that, lacking a vision, the administration rarely appears to engage in long-term thinking about the international environment, historical processes or the potential unintended consequences of its choices. In fact, its sense of history seems highly politicized and simplistic.

Short-term political thinking about foreign policy cannot sustain America's international leadership, which requires clear distinctions between immediate tactical problems and longer-term strategic threats. Today, most analysts agree that the greatest danger to the United States is not from Iran, which does not yet have nuclear weapons, or even al-Qaeda, which has been seriously damaged, but rather from Pakistan's nuclear arsenal. Maintaining the Pakistani

government's ability to control its roughly one hundred nuclear weapons is a vital American national interest; the loss of a single warhead to extremists, whether through a government collapse or through a disaffected anti-American faction in Pakistan's military or intelligence services, could be devastating.

Strikingly, U.S. policy has given relatively little weight to this concern: the Bush administration subordinated a coherent U.S. strategy in the region to the optional invasion of Iraq; both the Bush and particularly the Obama administrations have emphasized the war against al-Qaeda to such an extent that the U.S.-Pakistan alliance is in tatters. Now Islamabad's very stability has come into question.

It is good to hear from Secretary of Defense Leon Panetta and other senior officials that al-Qaeda and the Taliban have suffered major setbacks. It was even better to hear that U.S. troops had finally killed Osama bin Laden. Nevertheless, these triumphs have come at demonstrable cost. There was perhaps no reliable way to kill bin Laden without grievously offending Pakistan's government and people, though a senior administration official has admitted that the United States "underestimated the humiliation factor" of the raid. Still, American officials could have structured U.S.-Pakistan relations in a way that would have made this necessary infringement on Pakistan's sovereignty the exception rather than the rule in Washington's approach to its admittedly frustrating and unreliable ally. Instead, the administration expanded drone attacks on less-than-essential targets (the average frequency of drone strikes under President Obama is one every four days, compared to one every forty days during the Bush administration); harshly criticized Pakistan's government and military before the Abbottabad operation; embarrassed both by killing bin Laden inside the country; and then followed the action with further public criticism and cuts in assistance to the Pakistani military.

Can the United States afford to push Pakistan over the edge? If not, we must find a way to balance our clear interest in defeating al-Qaeda and the Taliban against Pakistan's continued stability—including our relationship with Pakistan's government, military and citizens. Dennis Blair, forced to resign last year as director of national intelligence, has suggested coordinating drone strikes much more closely with Islamabad.

In the longer run, China's rise will clearly be a historic challenge to the United States. Yet, while administration officials talk frequently about China in domestic contexts, the president's policy toward Beijing is fundamentally incoherent.

Two recent books, Henry Kissinger's On China and Aaron Friedberg's A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia, suggest two very different interpretations of Chinese conduct and propose alternative American responses. Kissinger views China as a rising but thus far moderate power and warns against creating a self-fulfilling prophecy that could lead to zero-sum competition between Beijing and Washington. He argues that such rivalry could lead to a pre–World War I situation with potentially devastating consequences for both nations and for the rest of the world. Friedberg ridicules this approach, arguing that the United States should seek to democratize China and, if this does not succeed, should practice assertive containment. In his view, if the World War I analogy has any value, it is in demonstrating that the British were too timid in responding to Germany's rise.

Kissinger and Friedberg offer coherent proposals that are mutually exclusive. Kissinger's is much more persuasive to me, but there is a choice—and America must make a decision. Accordingly, it is quite troubling to see the Obama administration trying to have it both ways: building a cooperative relationship with Beijing while visibly siding with China's neighbors in every dispute. At the same time,

after initially downplaying democracy promotion, the administration seems to have begun to pursue it with new energy, partly under the influence of Chinese dissidents and partly, insiders say, because officials are reluctant to be portrayed as China apologists. Whatever the motivation, Beijing is likely to view this combination of external and internal pressure as a serious threat.

Meanwhile, if the White House is seriously seeking to contain China or, alternatively, to shape a global environment that would make containment unnecessary, it is hard to imagine how this could be done without precluding any rapprochement between Moscow and Beijing. The administration claims the reset with Russia is one of its most significant foreign-policy successes. But there is less here than meets the eye—on both sides. Russian concessions so far have been halfhearted and Russian policies, whether on Iran or Libya, do not coincide with those of America. For its part, the United States appears unprepared to address Moscow's greatest concerns: integration into Europe's security architecture and reliable assurances on missile defense.

More narrowly—but no less problematic for U.S. efforts to have better relations with Russia than Russia has with China—Obama's team is risking alienating a large portion of the Russian elite in its response to corruption and human-rights violations. While the State Department has made clear its opposition to legislation punishing Russian officials allegedly linked to the death of lawyer Sergei Magnitsky while in police custody, the administration has decided preemptively to deny visas to those it considers implicated in the case. Moscow has stated clearly that this could derail cooperation across the board, including on sanctions against Iran and transit to Afghanistan (a deal that becomes even more important as U.S. ties to Pakistan deteriorate).

Corruption in Russia is pervasive and is an obstacle to foreign investment and ultimately to any political or economic progress in the country. But with American blood and treasure safeguarding some of the most corrupt governments in the world in Afghanistan and Iraq, focusing on Russia's real and serious corruption in a way that could endanger America's relationship with this important power is hard to justify.

Notwithstanding predictions of America's decline, the United States is still the world's greatest power and can remain so for quite some time. However, as other powers rise, and as America becomes increasingly preoccupied with its economic future, the margin for error is shrinking. The United States faces critical choices—and it needs leaders able to make them.

Dimitri K. Simes is the president of The Nixon Center.

Article 5.

NYT

Cheney Says He Urged Bush to Bomb Syria in ’07

Charlie Savage

August 24, 2011 — Former Vice President Dick Cheney says in a new memoir that he urged President George W. Bush to bomb a suspected Syrian nuclear reactor site in June 2007. But, he wrote, Mr. Bush opted for a diplomatic approach after other advisers — still stinging over “the bad intelligence we had received about Iraq’s stockpiles of weapons of mass destruction” — expressed misgivings.
“I again made the case for U.S. military action against the reactor,” Mr. Cheney wrote about a meeting on the issue. “But I was a lone voice. After I finished, the president asked, ‘Does anyone here agree with the vice president?’ Not a single hand went up around the room.”
Mr. Bush chose to try diplomatic pressure to force the Syrians to abandon the secret program, but the Israelis bombed the site in September 2007. Mr. Cheney’s account of the discussion appears in his autobiography, “In My Time: A Personal and Political Memoir,” which is to be published by Simon & Schuster next week. A copy was obtained by The New York Times.
Mr. Cheney’s book — which is often pugnacious in tone and in which he expresses little regret about many of the most controversial decisions of the Bush administration — casts him as something of an outlier among top advisers who increasingly took what he saw as a misguided course on national security issues. While he praises Mr. Bush as “an outstanding leader,” Mr. Cheney, who made guarding

the secrecy of internal deliberations a hallmark of his time in office, divulges a number of conflicts with others in the inner circle.

He wrote that George J. Tenet, the director of the Central Intelligence Agency, resigned in 2004 just "when the going got tough," a decision he calls "unfair to the president." He wrote that he believes that Secretary of State Colin L. Powell tried to undermine President Bush by privately expressing doubts about the Iraq war, and he confirms that he pushed to have Mr. Powell removed from the cabinet after the 2004 election. "It was as though he thought the proper way to express his views was by criticizing administration policy to people outside the government," Mr. Cheney writes. His resignation "was for the best."

He faults former Secretary of State Condoleezza Rice for naïveté in the efforts to forge anuclear weapons agreement with North Korea, and Mr. Cheney reports that he fought with White House advisers over softening the president's speeches on Iraq.

Mr. Cheney acknowledged that the administration underestimated the challenges in Iraq, but he said the real blame for the violence was with the terrorists.

He also defends the Bush administration's decision to inflict what he called "toughinterrogations" — like the suffocation technique known as waterboarding — on captured terrorism suspects, saying it extracted information that saved lives. He rejects portrayals of such techniques as "torture."

In discussing the much-disputed "16 words" about Iraq's supposed hunt for uranium in Niger that were included in President Bush's 2003 State of the Union address to help justify the eventual invasion, Mr. Cheney said that unlike other aides, he saw no need to apologize for making that claim. He writes that Ms. Rice eventually came around to his view.

"She came into my office, sat down in the chair next to my desk and tearfully admitted I had been right," he wrote.

The book opens with an account of Mr. Cheney's experiences during the terrorist attacks of Sept. 11, 2001, when he essentially commanded the government's response from a bunker beneath the White House while Mr. Bush — who was away from Washington and hampered by communications breakdowns — played a peripheral role. But Mr. Cheney wrote that he did not want to make any formal statement to the nation that day.

"My past government experience," he wrote, "had prepared me to manage the crisis during those first few hours on 9/11, but I knew that if I went out and spoke to the press, it would undermine the president, and that would be bad for him and for the country.

"We were at war. Our commander in chief needed to be seen as in charge, strong, and resolute — as George W. Bush was."

Mr. Cheney appears to relish much of the criticism heaped on him by liberals, but reveals that he had offered to resign several times as President Bush prepared for his re-election in 2004 because he was afraid of becoming a burden on the Republican ticket. After a few days, however, Mr. Cheney said that Mr. Bush said he wanted him to stay.

But in the Bush administration's second term, Mr. Cheney's influence waned. When Mr. Bush decided to replace Donald H. Rumsfeld as secretary of defense after the 2006 midterm elections, Mr. Cheney said he was not given a chance to object.

Mr. Cheney praised Barack Obama's support, as a senator from Illinois, for passing a bank bailout bill at the height of the financial crisis, shortly before the 2008 election. But he criticizes Mr. Obama's decision to withdraw the 33,000 additional troops he sent to Afghanistan in 2009 by September 2012, and writes that he has been

“happy to note” that Mr. Obama has failed to close the prison in Guantánamo Bay, Cuba, as he had pledged.

Mr. Cheney’s long struggle with heart disease is a recurring theme in the book. He discloses that he wrote a letter of resignation, dated March 28, 2001, and told an aide to give it to Mr. Bush if he ever had a heart attack or stroke that left him incapacitated.

And in the epilogue, Mr. Cheney writes that after undergoing heart surgery in 2010, he was unconscious for weeks. During that period, he wrote, he had a prolonged, vivid dream that he was living in an Italian villa, pacing the stone paths to get coffee and newspapers.

Article 6.

Ma'an News Agency

Palestine and Statehood: An historical overview

Abdullah Abueid

24/08/2011 -- Until 1923, Palestine was part of the Ottoman Empire. In December 1917, British troops entered Jerusalem and ended 400 years of Ottoman rule. In 1922, the League of Nations issued the Mandate of Palestine which authorized the United Kingdom to become the Mandatory Power in Palestine.

The Mandate Document, however, included several paradoxical stipulations contrary to the Mandate System as set forth in Article 22 of the League's Charter.

Major stipulations

The Mandate Document included several paragraphs, which were considered by many historians and international lawyers as flagrant breaches of the word and spirit of the Mandate system. The system was intended to protect the territories occupied by the British and French from the axis enemy (Germany, the Austro-Hungarian Empire and the Ottoman Empire), and to develop these territories to independence and freedom for their populations.

The MD, contrary to that system, stipulated that the UK must develop the territory of Palestine in cooperation with the Jewish Agency in order to achieve a national home for the Jewish people, ignoring the real interests of the vast majority of Palestinian Arabs or Palestine.

In 1922 Palestine was still considered as a part of the sovereignty of the Ottoman Empire, which became Turkey after that date. It wasn't until Turkey signed the Lausanne Treaty in 1932 that Turkey relinquished her claim to sovereignty on Palestine. Thus, the MD was

in clear breach of the rules of international law.

The Legal Status of Palestine

The UK's rule over Palestine contained flaws and several breaches. The Mandatory Power (UK) was considered, by many international lawyers, as a colonial power, which should have supervised the Mandate Territory and developed it as an honest trustee, which it failed to do.

In regards to sovereignty over Palestine during the years of the Mandate, many international experts consider that sovereignty was inherent to the people of that territory and was temporarily in the hands of the League of Nations. Palestine was considered as an embryo of a state.

It had its constitutions in 1922, its nationality law in 1925 and several other laws and by-laws covering almost all aspects of life and social and economic activities.

The Mandatory Power exerted all its efforts to help the Zionist Organizations, represented by the Jewish Agency, the Jewish Keren Ha' Kayemet, the Jewish Keren Ha'yesud and the Zionist Haganah [the armed organization of the Jewish agency], to bring an influx of Jewish immigrants into the Mandated Territory, to develop their own independent economy, arms and to construct armed settlements, in all Palestine.

All of this was claimed to be in conformity with the MD of Palestine, which was the legal fig-leaf in concealing the real goals of both the imperial power and Zionist Organizations.

During the whole of British rule, Palestinians revolted and demonstrated, but the British forces dealt with these revolutionary acts in utmost cruelty, putting them down and killing thousands of Palestinian Arabs and deporting or imprisoning tens of thousands.

In 1947, the UK government, unable to control the strong Zionist terrorist organizations, decided to refer the whole issue to the United

Nations General Assembly which issued in November 26, 1947 a resolution dividing Palestine into two states: A Jewish state consisting of 54 percent of the territory of Palestine, an Arab state consisting of 44 percent of that territory, and the Jerusalem Area, as a Corpus Separatum, consisting of 2 percent of Palestine.
Furthermore, the Resolution decided to have an Economic Union between the two states and stipulated that the Jerusalem Area, which included Bethlehem, should be a separate area under the control of the UN.
The Zionist leadership pretended to accept the resolution, relying on the fact that it would be refused by the reactionary Arab leadership.
After the UN Resolution, clashes broke out among the two communities. The armed Zionist organizations, well prepared and organized, as well as heavily armed, defeated the poorly armed Palestinians and the weak unorganized Arab armies.
They occupied and annexed 70 percent of Jerusalem and 50 percent of the territory allocated to the Arab State, and on May 15, 1948, declared the State of Israel on 78 percent of historical Palestine territory, leaving the Palestinians without a state and in limbo.
All these events happened in collusion among the colonial British government, the Jewish Agency and some Arab regimes, ruled and/or controlled by the British.
Aftermath of the 1948 War
As mentioned above, there was an enlarged Jewish state [Israel], but the remaining territories of Palestine were either annexed to Jordan [The West Bank], or put under Egyptian rule [The Gaza Strip].
So, the Palestinian people, who constituted 67 percent of the population of Palestine in 1947 and owned 93 percent of its land, were betrayed and left in a state of destitution.
Sixty-two percent of them were driven out of their home under gunpoint and in several massacres committed by armed Zionist

organizations.
At present, there are 10.5 million Palestinians, including around 5 millions refugees, scattered in several Middle Eastern countries and other Diaspora states.
As for Palestinian Statehood: The UN General Assembly by great majority has recognized the right of the Palestinian people to self determination and statehood in more than 40 resolutions.
Most famous of these resolutions were the two issued in October, 1974: 3236 and 3237. The latter recognized the PLO as the legitimate representative of the Palestinian people and stipulated that it would be granted the status of Observer in all UN organs and affiliated organizations and its sponsored conferences.
In December 15, 1988, a month after the declaration of the State of Palestine by the PLO conference in Algiers, the UN General Assembly decided in its resolution of December 15, 1988 to recognize the PLO declaration of the State of Palestine and to substitute the use of PLO for the name of Palestine in all its organs and conferences.
UN membership
After the Oslo accords in 1993 and the failure of peace negotiations which lasted for 18 years, the PLO intends to bring to the UN General Assembly once again, through the UN Resolution number 377 of 1950, the issue of recognition of the State of Palestine on the basis of the June, 1967 borders.
Such resolutions, if issued by the UN General Assembly, could have some legal, political and media ramifications, but, nevertheless, it will not have any practical impact on the Israeli Government and some of its allies.
The State of Palestine will still lack a major element of a sovereign state: That is the "effective control" over territory and population. This can only be achieved when the Israeli occupation is compelled

to withdraw from Palestine. This fact may push many members of the International Community to support Palestine to end the occupation. However, there will be a slim chance for the admission of the state of Palestine into the United Nations if the US, or any other permanent members of the UN Security Council uses the Veto in this regards. In this situation, the General Assembly cannot vote for the Admission of Palestine, as the International court of Justice ruled in its Advisory Opinion of March 3, 1950, in its interpretation of the provisions of Article 4 of the UN Charter.

The best procedure to be conducted in this regard is one of the following:

a) To apply to the General Assembly of the UN asking them to denounce the continuing Israeli occupation and to declare the strict and unchangeable will of members of the United Nations to end the occupation of all Palestinian lands occupied in 1967 and their confirmation of the right of the Palestinian People to self-determination and statehood in a "full fledged independent state on all occupied Palestinian Territories occupied in 1967, including East Jerusalem" living in peace side by side with Israel.

b) To ask the UN General Assembly to demand from the ICJ an Advisory Opinion on the right of the Palestinian people to self-determination and statehood on the occupied territories.

A resolution of the UN General Assembly, if taken by great majority of more than 75 percent of the members and an Advisory Opinion from the ICJ could have a great impact on most states and members of the international community. They would also carry an important moral pressure on both states and international civil society.

The Palestinians, Arab States, Arab public opinion and civil society and other friends and supporters of the Palestinian people, should play a very active role in organizing and administrating all possible measures to properly invest and harness the said Resolution and/or

Advisory Opinion.
One can give an example of the fruits of such good investment by referring to what the prominent Israeli leading newspaper Ha'aretz wrote in June 2011.
It referred to what several Israeli jurists and international law experts were aware of: "Palestine adhering to the Rome Statute of 1998 (the ICC Statute), thus becoming a member of the ICC capable of invoking its jurisdiction in cases of Israel committing war-crimes of other similar crimes".
Such membership is possible if many states and/or members of the ICC Statute are finally convinced that Palestine is a state which is worth becoming a member of the said convention. In this regard, it must be highlighted that the ICC Statute does not provide for states to become members of the ICC but that they should be members of the UNO. It only demands in all its Articles that Member States should be "States".
If support for Palestine is very high, it constitutes great pressure on several states and may be a turning point in their attitude towards Palestinian Statehood.

Abdullah Abu Eid is a professor of international law and human rights at Birzeit University

From: J [jeevacation@gmail.com]
Sent: 5/15/2019 10:21:20 AM
To: paul krassner [redacted]
Subject: Re: rather long and a few typos

On September 14, 1964, Dean Katherine Towle announced that existing University regulations prohibiting advocacy of political causes or candidates, outside political speakers, recruitment of members, and fundraising by student organizations at the intersection of Bancroft and Telegraph Avenues would be "strictly enforced."

shouldnt you write an artile 55 years later. on campus speech today. .

On Tue, May 14, 2019 at 8:17 PM paul krassner <[redacted]> wrote:

REMEMBERING CAVALIER MAGAZINE

LAUNCHING A MAGAZINE

My friend Michael Simmons, who has been the editor of *National Lampoon* and *High Times,* observes that *Cavalier* hired fine scribes. A few examples: Thomas Pynchon, Philip Roth, William Saroyman, Isaac Asimov, Theodore Sturgeon. *Cavalier* was launched by Fawcett Publications in 1952.

Men's magazine *Cavalier* (motto: "For the American Male") was published the year before *Playboy* to whom it has often been compared, and back in the day tried to be seen as slightly hipper, more youthful and considered a bit more clever than its big name rival. Almost an anti-establishment *Playboy.* A slogan stated: "Your dad bought *Playboy*, you bought *Cavalier*."

I BECAME A COLUMNIST

I was invited to write a column, named "The Naked Emperor," for *Cavalier*, that was beginning to publish underground writers and artists. They paid me $1,000 a month. My first column was a report on an auction of two-inch squares from the hotel bedsheets slept on by the Beatles during their first trip to America.

There were 300 screaming young girls, off on a fetishist's holiday. Obviously, there wouldn't be enough items to go around, but it was announced that the Beatles' unwashed towels and bed

linens were to be cut into two-inch squares and sold for $1 each. The price included a notarized statement of authenticity.

My second column was about Lenny Bruce—titled "Lenny the Lawyer," since he defended himself in trials He was arrested for obscene performances only because there were no blasphemy laws. I went to the bank and deposited my check, withdrawing half of it in cash, a $500 bill. Lenny was alone in his hotel room on Christmas Day when I presented it to him. And, with a large safety pin, Lenny attached the $500 bill to the outside breast pocket of his denim dungaree jacket.

AFTER JFK ASSASSINATION

In another column of mine, "Jack Ruby and His Dirty Little Secret," it began, "Lenny Bruce told me how all the night club comics used to Jack Ruby's "tattoo of a lady's *schmutzik* (translate: pussy) in his armpit." If it wasn't a fact, I was quite willing to settle for an apocryphal allusion which nevertheless crystallized the entire personality of that alleged murderer who wanted so very much to be liked.

I say *alleged* because upon Ruby's own death. Dallas District Attorney Henry Wade said he would dismiss the murder charge against him, a promise which has since been kept, although no such posthumous grace was ever officially bestowed on Lee Harvey Oswald. See, they grant you retroactive innocence only in the face of innumerable witnesses who were present at the actual event through the miracle of inadvertent televised coverage.

Now Jack Ruby's dirty little secret has been forever sealed away in his armpit by the hymen of history. Oh yeah, and at Lenny's funeral, that safety pin was still attached on his jacket.

JULES SIEGEL

Two years before Lenny's death, with his permission I published his obituary in my own magazine, *The Realist.* Before the issue went to press, he called his mother and a few others to let them know it would only be a hoax. The point was that he couldn't get work and his work

was his life so he might as well be dead. And if people regretted that they hadn't helped him, well, now they could have a second chance because he was still alive. The obituary evoked inquiries from newspapers, wire services, foreign publications, radio and TV.

"What's the meaning of it?" one editor asked me. "There's a lot of excitement at the city desk."

"That *is* the meaning of it."

A few years later, without my permission, Jules Siegel, the editor of a short-lived magazine, *Cheetah*, published a fake obituary of me. I thought it was funny. An Associated Press reporter called, and I explained that it was a hoax.

"Are you sure?" he asked.

"Of course. I would tell you if I was dead."

Siegel started writing for *Cavalier*. His first assignment was a profile of Sterling Hayden, an actor best known in *Dr, Stranglove or How I Learned to Stop Worrying and Love the Bomb.*

Journalist Adam Ellsworth described Siegel's "Goodbye Surfing, Hello God" with his most famous example of rock journalism, but his most revolutionary was his article, "The Big Beat." It appeared in the *Playboy*-esque *Cavalier* magazine in 1965 and was one of the earliest writings he'd ever seen on the development of rock and roll, from slaves singing in chains on their way to America to Bob Dylan "going electric" at the Newport Folk Festival.

Then Jules' friend, Arthur Kretchmer, became *Cavalier's* managing editor. "When the editorial director later resigned," Kretchmer said, "there was a 24-hour hiatus before the new editor arrived." Siegel and Kretchmer had been discussing the possibility of publishing an issue on rock and roll, so to make it happen, Kretchmer went into the office at night and retyped the magazine's schedule to include their ideas.

When the new editorial started, Kretchmer handed him the schedules and said, "Here's what we're working on." The new editorial director suspected nothing and the rock and roll issue went

ahead. Once the laughter died down, Jules talked for a good 25 minutes about some of the ups and downs of his writing career and how hard it is to make a living as any kind of a writer, let alone a "rock journalist." and the people who created it, seriously.

Now everybody writes about rock and roll that way. Jules was one of the people who did it first. "Goodbye Surfing, Hello God!" is Jules's most famous example of rock journalism, but I think his most revolutionary is his article "The Big Beat." It appeared in the Playboy-esque *Cavalier* magazine in 1965 and is one of the earliest writings I've ever seen on the development of rock and roll, from slaves singing in chains on their way to America to Bob Dylan "going electric" at the Newport Folk Festival.

Jules Siegel died of a heart attack on November 17, 2012 at the age of 77. He was a brilliant author, but neither *Rolling Stone* nor the *New York Times* honored him with an obituary. Not even a fake one.

COMIC STRIPS

Art Spiegelman tells me his work at *Cavalier* 50 years ago:

I was first invited into the mag to do two full-color comix pages in 1969 (when being printed in color was a Very Big Deal for me as was Getting Paid more than 25 bucks for a drawing), somehow in proximity to a big article on underground comix. It was around the time Vaughn Bode was made a regular contributor to the magazine, They were running some Crumb "Fritz the Cat" pages. All thanx to their hip, laid back and kind editor, Alan LeMond.

I also did some gag cartoons, short strips and occasional illustrations for *Cavalier* (one especially bad drawing for a story by Bruce Jay Friedman, I recall). My work in 1969, as an apprentice underground cartoonist taking too many drugs was really, really awful so I'm grateful for the editor's

hip and laid-back kindness. But, hey, I was proud to be in a mag that published pieces by Pynchon, Manny Farber and you.

By the time I'd gotten incrementally better as a cartoonist in the first half of the 1970s I was regularly doing illustrations for soft-core fiction stories in *Cavalier's* low-rent sister mags, *Dude, Gent* and *Nugget* (even wrote a story or two there and got several of my San Francisco comix cronies (Spain Rodriguez, Bill Griffith and Justin Greene) illustration gigs with Alan for those mags as well.

I was first invited into the mag to do two full-color comix pages in 1969 (when being printed in color was a Very Big Deal for me as was Getting Paid more than 25 bucks for a drawing), somehow in proximity to a big article on underground comix. They were running some Crumb "Fritz the Cat" pages. All thanx to their hip, laid back and kind editor LeMond. I also did some gag cartoons, short strips and occasional illustrations for *Cavalier* (one especially bad drawing for a story by Bruce Jay Friedman).

My work in 1969, as an apprentice underground cartoonist taking too many drugs was really, really awful so I'm grateful for the editor's hip and laid-back kindness. By the time I'd gotten incrementally better as a cartoonist in the first half of the 1970s I was regularly doing illustrations for soft-core fiction stories, even wrote a story or two there and got several of my S.F. comix cronies (Spain Rodriguez, Bill Griffith and Justin Greene) illustration gigs with Alan for those mags as well.

[Note in Wikipedia: *Maus* is a graphic novel by American cartoonist Art Spiegelman, serialized from 1980 to 1991. It depicts Spiegelman interviewing his father about his experiences as a Polish Jew and Holocaust survivor. The work employs postmodernist techniques and represents Jews as mice, Germans as cats, and Poles as pigs. In 1992, *Maus* won a Pulitzer Prize.]

COMiNG AND GOING

I wrote some movie reviews for *Cavalier*. I recall that *Midnight Cowboy* was 50 years ago. I always went to two screenings. The first one I would go stoned with magic mushrooms. The second one I took notes. However, I got fired by *Cavalier*.

They declined to publish a particular column—my review of *MASH* as though it were a Busby Berkeley musical called *Gook Killers of 1970*— ostensibly on the grounds of bad taste, but I learned that three wholesalers had told the publisher they were pressured by the FBI and would refuse to distribute *Cavalier* if my name appeared in it.

On top of that, my name was on a list of sixty-five "radical" campus speakers, released by the House Internal Security Committee. The blacklist was published in the *New York Times*, and picked up by newspapers across the country. It might have been a coincidence, but my campus-speaking engagement-bookings stopped abruptly. It felt just like a film.

OH, WELL

It was over for me, but it had been fun—like the issue with only the one large red headline on the *Cavalier* cover: "BEAT 'EM SENSELESS FIRST"—THE FREE SPEECH CONTROVERSY, BY PAUL KRASSNER . . . "Ironically," I wrote, "it is this concept of the total education experience *on* campus which I believe to be the basic significance of the much-misunderstood free-speech imbroglio at the University of California in Berkeley."

The sit-in lasted till 3 a.m. Next day, October 1, 1964, ten tables were manned again, and a campus policeman approached one of the tables (manned by the Congress of Racial Equality) where a dozen persons were seated. One was singled out and placed under arrest. But before you could say nonviolent demonstration, the police car was surrounded, its captors reaching as many as 3,000 students. During the late evening, bored fraternity men gathered and tossed lighted cigarettes and eggs on those sitting in the plaza. The demonstrators responded with silence.

Next day, 450 police assembled on campus to remove the cop car and its arrested inhabitant, but an agreement to negotiate was reached and the demonstrators dispersed. One of the folk

songs to come out of the Free Speech Movement incidentally, was *If I Negotiate With You,* to the tune of the Beatles' *If I Fell in Love With You.*

Over the next couple of months there was a series of sit-ins and attempted negotiations, and then, on December 2, the infamous Sproul Hall sit-in. It took twelve hours for 800 students to be arrested by some 600 instructors of a new course called Introductory Police Brutality. These were from the lab notes student took.

There was a freshman co-ed at Berkeley who—long after she had forgotten what some professor spouted during an official lecture about Dostoevsky's *Crime and Punishment*—would remember, with perhaps a twinge of frightened pride, learning from a fellow demonstrator that if she planned to go limp when the police arrested her, it would be an act of practical feminine foresight to remove the earrings from her pierced lobes in advance.

So, now in 2019, fighting over free speech has been happening heavily at Berkeley campus again. Meanwhile, Trump grabbed a pussy on the Statue of Liberty. *Cavalier,* anyone?

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ACKRELL CAPITAL

2018 CANNABIS INVESTMENT REPORT

GLOBAL CANNABIS CONSUMERS

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Ackrell Capital Cannabis Team
Inside Back Cover: The Green Field 2018

About Ackrell Capital

Founded in 2003, Ackrell Capital is a leading independent investment bank focused on emerging growth companies. Ackrell Capital's expertise includes:

- Private Equity
- Mergers and Acquisitions
- Private Placements
- Corporate Development
- Cannabis, Consumer, Technology, Digital and Other Emerging Growth Industries

Ackrell Capital is based in San Francisco, CA. Ackrell Capital is a member of FINRA and SIPC.

- The United Nations recently estimated that more than 180 million people globally between the ages of 15 and 64, or more than 4% of this age group, consume cannabis annually.
- At least 20 countries have implemented medical cannabis laws, including Australia, Canada, Colombia and Germany; countries without such laws include China, Japan, Russia and the United States.
- Although federally illegal in the United States, 46 states and the District of Columbia have passed at least one law that permits the manufacture, distribution, dispensing or possession of cannabis. While most of these laws are medical cannabis laws, 8 states have enacted recreational laws.
- Across all medical cannabis laws in the United States, cannabis is legally recognized as a form of therapy or medicine for more than 50 qualifying conditions, including Alzheimer's disease, anorexia, arthritis, cancer, chronic pain, epilepsy and post-traumatic stress disorder.
- California is poised to become the largest recreational cannabis market in the world with the implementation of its recreational law in January 2018—a watershed moment for the industry.
- The illegal cannabis market in the United States is estimated to be more than $45 billion annually. (We estimate that the 2017 U.S. state-legal cannabis market was $8.0 billion.) If federal legalization occurs, we believe that the legal market could be more than two times the size of the current illegal market, ultimately exceeding $100 billion annually.
- The cannabis industry provides a broad range of investment opportunities in both the public and private markets for sophisticated investors who are willing to take significant risks.

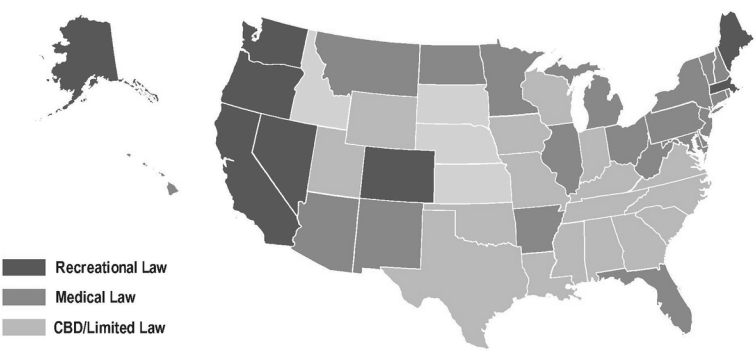
This report has been compiled for informational purposes only, and is not a research report. This report is not and should not be construed as an offer to sell securities or a solicitation of an offer to buy securities. The information in this report is of a general nature, and this report should not be construed, relied upon or acted upon as investment, legal, medical, health or tax advice. Ackrell Capital has made investments in and conducted investment banking services for companies mentioned in this report, and may do so in the future. Readers should be aware that Ackrell Capital may have a conflict of interest that could affect the objectivity of this report. Ackrell Capital, LLC is a member of FINRA and SIPC. © 2017 Ackrell Capital, LLC.

REPORT HIGHLIGHTS

Select Countries with Legalized Cannabis Access (January 2018)

*Canada currently has a medical law. Assumes Canada enacts a proposed recreational law in mid-2018.

U.S. State Cannabis Laws (January 2018)



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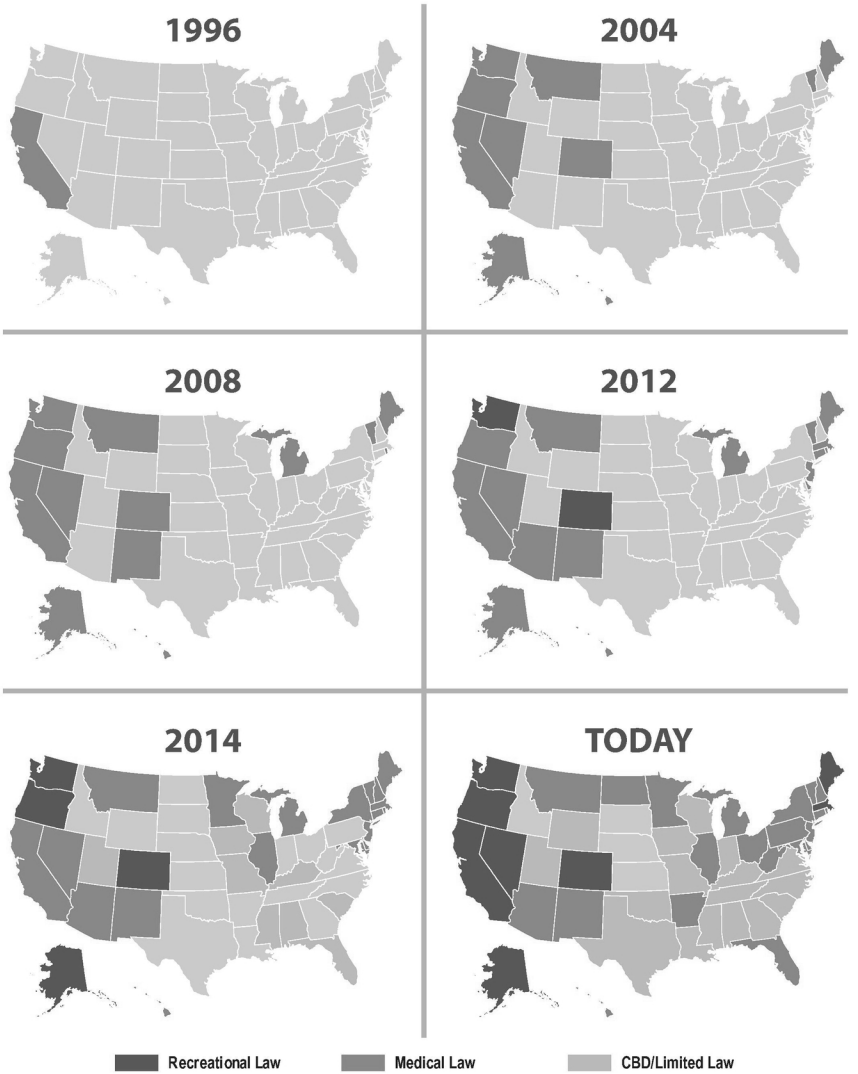
Progression of U.S. State Cannabis Laws



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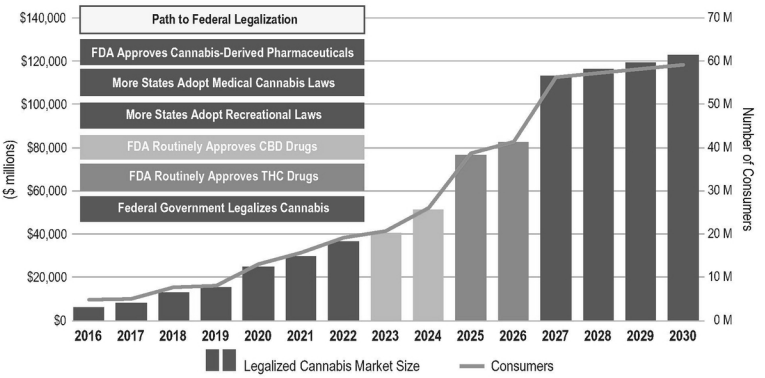
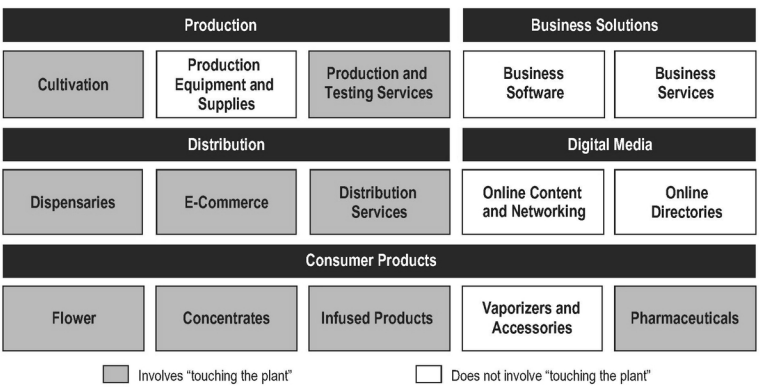
U.S. Legalized Cannabis Market



Source: Ackrell Capital. Assumes cannabis will be legalized federally by 2027. Cannabis may never be legalized federally in the United States.

Cannabis Industry Segments



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Foreword

Ackrell Capital is pleased to present our 2018 Cannabis Investment Report. Much has happened in the nearly two years since we published our inaugural report: the cannabis industry grew significantly, companies in the industry raised large amounts of capital and their stock prices performed well, and the legalization movement continued worldwide as more countries and U.S. states implemented a framework for legal cannabis access. There was also a presidential election in the United States; its ultimate impact on the cannabis industry remains uncertain. What did not happen since we launched our inaugural report? Federal legalization: "marijuana" continues to be classified as a Schedule I controlled substance under the Controlled Substances Act in the United States.

In this new edition, we introduce an outlook on global cannabis markets, analyze capital markets for cannabis companies and present updated market estimates. We also expand on the first edition by providing more in-depth analyses of the various market segments within—and analyzing the legal issues pertinent to—the cannabis industry. The *Top 100 Private Cannabis Companies* list has been updated and our industry landscape, *The Green Field,* has been updated and expanded to include more than 500 companies.

Cannabis legalization has accelerated domestically and internationally. In the 2016 U.S. elections, four states, including California, legalized recreational cannabis (bringing the total number of states with recreational laws to eight) and an additional four states legalized medical cannabis. Cannabis use is now state-legal in some form in 46 states.

In January 2018, California will implement its recreational law, making it the largest market globally for the recreational use of cannabis. Similarly, Canada is expected to pass its recreational law in mid-2018. And in 2017, Germany became the most populous country in the world to pass a medical cannabis law.

Cannabis has mass consumer appeal around the world. (According to the United Nations, more than 180 million people per year use cannabis and it is the most-consumed drug worldwide). While it is clear that there is significant demand for cannabis, less clear is how quickly illegal markets will transition to legal markets, as well as the extent to which legalization may increase overall demand.

We continue to believe that it is a question of when—not if—the U.S. federal prohibition on cannabis will end. We believe that a path toward federal legalization exists and we believe this process has commenced. According to Gallup, 64% of Americans today believe that cannabis use should be legal.

Who is the cannabis consumer? It is the 80-year-old cancer patient ingesting cannabis to treat side effects of chemotherapy. It is the 12-year-old child using cannabis extracts on a doctor's recommendation to reduce epileptic seizures. It is the 30-something mother or father seeking to relax after a full day. It is a group of 20-year-olds on a Friday night heading to a concert. It is the millions of people suffering from anxiety and depression. It is the millions of people treating chronic pain and nausea. It is the millions of people using cannabis recreationally.

Our team has met with more than 1,000 companies in the cannabis industry. We understand the opportunities and challenges facing the industry, and we are happy to provide our insights.

Sincerely,

The Ackrell Capital Cannabis Team

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FRONT COVER **Report Highlights**

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CHAPTER I
Executive Summary

Global Cannabis Consumers

Cannabis has mass consumer appeal around the world. Millions of people use cannabis recreationally. Millions more use it medicinally. In aggregate, across all state medical cannabis laws in the United States, cannabis is legally recognized as a form of therapy or medicine for more than 50 medical conditions, including Alzheimer's disease, anorexia, arthritis, cancer, chronic pain, epilepsy and post-traumatic stress disorder. Similar to the alcohol and pharmaceutical markets, we believe that the total addressable consumer market for cannabis consists of a significant portion of the global adult population.

Cannabis is the most widely cultivated, produced, trafficked and consumed drug worldwide, according to the United Nations Office on Drugs and Crime (UNODC). In 2003, the UNODC estimated that the global illegal cannabis market was $113 billion, with 160 million consumers. The UNODC continues to estimate the number of cannabis users worldwide and recently estimated that 183 million people globally between the ages of 15 and 64, or more than 4% of this age group, consumed cannabis in 2015.

In 2010, the RAND Corporation (RAND) estimated that the U.S. illegal cannabis market was $40 billion. Adjusting this estimate solely for inflation and population growth, the U.S. illegal market would now be approximately $48 billion.

Both the UNODC and RAND acknowledge the challenges inherent in studying an illegal consumer market, and both allow significant room for error in their estimates. However approximate, their estimates make clear that there is significant global demand for cannabis. Less clear is how quickly illegal markets will transition to legal markets, as well as the extent to which legalization may increase overall demand.

We believe that the growth of the global legal cannabis industry will be driven by increasing penetration in largely untapped "mainstream" consumer markets, and that the legal industry could grow to more than two times the estimated size of the current illegal market. We believe that cannabis will eventually become federally legal in the United States, for recreational enjoyment by adults and for use in a broad range of safe drugs and therapeutic products. After U.S. federal legalization, we believe that

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the U.S. market will exceed $100 billion annually, with more than 50 million consumers. Globally, we estimate that the legal cannabis market has the potential to reach $500 billion annually, approaching one billion consumers.

The Global Legal Cannabis Market

Cannabis legalization is gaining momentum around the world. This momentum is driven primarily by the increasing recognition that cannabis may have a range of legitimate medicinal benefits and therapeutic applications. At least 20 countries now have medical laws that facilitate patient access to cannabis or cannabis concentrates for treating specified medical conditions. Notable countries with such medical laws include Australia, Canada, Colombia and Germany; countries without such laws include China, Japan, Russia and the United States. (Contrary to U.S. federal law, 29 states, encompassing 62% of the U.S. population, permit the production and possession of cannabis or concentrates for use in treating a broad range of qualifying medical conditions.) While the merits of medical cannabis are currently driving legalization, we believe that—like Uruguay and numerous U.S. states—other countries will ultimately enact legislation permitting the production, sale and use of recreational cannabis. (Canada is widely expected to do so in mid-2018.)

The following world map illustrates select countries that (i) have enacted medical laws that facilitate patient access to cannabis or concentrates for treating specified medical conditions, (ii) have enacted recreational laws that permit the commercial production and sale of cannabis to adults for recreational and other uses, or (iii) include a state or province that has a cannabis law or policy in conflict with federal law.

Select Countries with Legalized Cannabis Access (January 2018)

*Canada currently has a medical law. Assumes Canada enacts a proposed recreational law in mid-2018.

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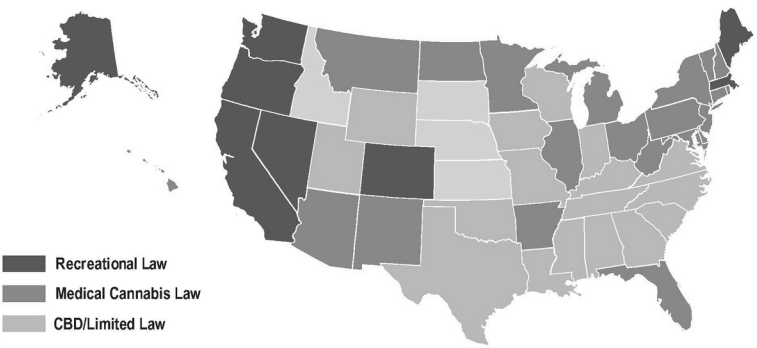
The U.S. State-Legal Cannabis Market

The legal landscape for the cannabis industry in the United States continues to be characterized by conflict between federal prohibition and the steady advance of state legalization. According to federal policy, Americans can access tobacco, alcohol and prescription drug products that kill thousands each year, but they cannot access cannabis because it is a dangerous drug with no currently accepted medical application in the United States (notwithstanding the federal government holds a U.S. patent for methods of treating diseases with cannabinoids). Meanwhile, 46 U.S. states have enacted at least one law that permits the manufacturing, distribution, dispensing or possession of cannabis or concentrates. These laws fall into three general categories:

- 29 U.S. states (and the District of Columbia) have enacted medical cannabis laws that permit the production and possession of cannabis or concentrates for use in treating a broad range of qualifying medical conditions.
- 19 U.S. states have enacted narrow CBD/limited laws that permit possession of small amounts of low-THC/high-CBD cannabis concentrates for use in treating a few serious medical conditions—in particular, severe forms of childhood epilepsy.
- 8 U.S. states have enacted recreational laws that permit the commercial production and sale of cannabis to adults for recreational and other uses.

The following map of the United States shows states with medical cannabis laws, CBD/limited laws or recreational laws (a state with more than one of these laws is represented on the map by its most permissive law).

U.S. State Cannabis Laws (January 2018)



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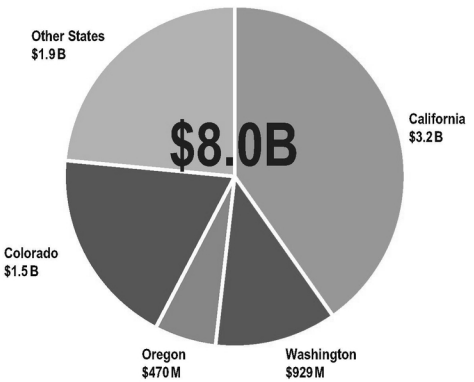
The U.S cannabis industry has proven adept at navigating this federal-state conflict, and is experiencing rapid growth despite it. We estimate that the 2017 U.S. state-legal cannabis market was $8.0 billion, with more than four million consumers. While the overall state-legal market has grown significantly, the addressable market has been constrained due to the lack of access to purely recreational consumers and the sometimes-narrow scope of medical conditions that qualify a patient for access to medical cannabis. The breakdown of this market estimate by state is shown in the following chart.

2017 U.S. State-Legal Cannabis Market Estimate



Source: Ackrell Capital

U.S. Federal Law

Current federal law effectively prohibits all cannabis use and all commercial cannabis activity in the United States. Producing, selling and possessing cannabis are federal crimes. No cannabis-derived drug has ever been federally approved for use in treating any medical condition. Otherwise legitimate business transactions conducted by cannabis companies—and their banks, for those who can access banking services—are legally suspect. Certain intellectual property and bankruptcy protections critical to many U.S. businesses are not available to cannabis companies. Cannabis companies pay federal income tax at effective rates significantly higher than other businesses.

Despite official prohibition, however, federal policies and laws recently passed by Congress have carved out a limited space in which the state-legal cannabis industry has managed to thrive. Enforcement policies published by the U.S. Department of Justice have unofficially invited cannabis business to proceed if certain conditions are respected. The U.S. Department of the Treasury established reporting policies that create room for banks to service the cannabis industry. Federal budget legislation

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has prevented allocated funds from being used to prosecute conduct that complies with state medical cannabis laws. And recent developments indicate the federal government may be pursuing policies and practices that create space for cannabis research and approval of cannabis-derived drugs.

The following chart shows three general areas of federal law that impact the cannabis industry—food and drug regulation, banking and finance, and intellectual property—as well as specific laws and federal policies related to each area. (We expand on these laws, regulations and policies in Chapter IV, U.S. Legal Landscape.)

Federal Laws and Policies Impacting the Cannabis Industry

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The Path to Federal Legalization

We believe that the variable which will most impact the future size of the U.S. legal cannabis market is the federal legalization process. How and when federal legalization occurs will impact other primary drivers of the market, including the number of eligible consumers, penetration rates and consumer spending. We predict six developments relating to federal legalization: (1) the U.S. Food and Drug Administration (FDA) will begin approving individual pharmaceutical-grade drugs derived from cannabis; (2) more states will adopt medical cannabis laws; (3) more states will adopt recreational laws; (4) the FDA will adopt routine approval procedures for drugs with extracts of low-THC/high-CBD cannabis varieties; (5) the FDA will adopt routine approval procedures for drugs with extracts of high-THC cannabis varieties; and (6) cannabis parts and derivatives will be removed from the CSA schedules (either incrementally, starting with CBD, or all at once) and will be fully legal for medical and recreational purposes. (We expand on these predicted developments in Chapter IV, U.S. Legal Landscape.)

We do not predict that these developments necessarily will occur in the order presented. We do expect some of them to develop in parallel, and none of them depends fundamentally on any other. For example, Congress could cause development (6) at any time by passing legislation that removes cannabis from the CSA schedules and establishes a national framework for recreational and medical cannabis regulation. Developments (1) through (3) largely reflect incremental developments within the existing legal environment. We do not expect developments (4), (5) or (6) to occur during the current presidential term, but we believe that there is a reasonable chance development (4) could begin within the next five years and development (5) could occur within two years thereafter. In total, we believe it could take up to 10 years or more before the federal legalization process reaches development (6) and cannabis becomes fully legal under federal law. For our market estimates, we assume (i) development (4) begins in 2023, (ii) development (5) follows two years thereafter and (iii) development (6) occurs by 2027 and cannabis becomes fully legal in the United States.

Path to Federal Legalization

1. The U.S. Food and Drug Administration will begin approving individual pharmaceutical-grade drugs derived from cannabis.
2. More states will adopt medical cannabis laws.
3. More states will adopt recreational laws.
4. The FDA will adopt routine approval procedures for drugs with extracts of low-THC/high-CBD cannabis varieties.
5. The FDA will adopt routine approval procedures for drugs with extracts of high-THC cannabis varieties.
6. Cannabis parts and derivatives will be removed from the CSA schedules and will be fully legal for medical and recreational purposes.

We believe that federal legalization will trigger rapid growth in the U.S. market, propelled by interstate commerce, access to the federal banking system and acceleration of the cannabis-derived pharmaceuticals market. A change in the federal status of cannabis in the United States will not only drive U.S. market growth, but should provide a significant catalyst to the market worldwide.

The following graph illustrates the timeline of our predicted developments and the estimated impact on the U.S. legalized cannabis market. As discussed on page 175, readers are cautioned to not place undue reliance on our predictions or estimates. Almost certainly, our predictions and estimates will prove inaccurate in some respects.

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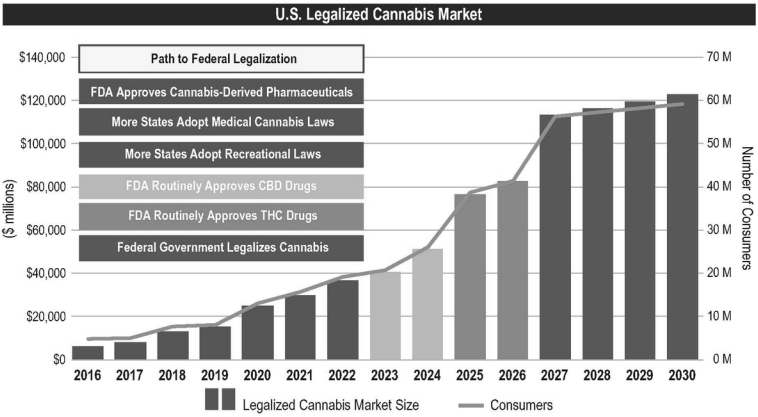

Source: Ackrell Capital. Assumes cannabis will be legalized federally by 2027. Cannabis may never be legalized federally in the United States.

To Watch in 2018

We believe that the following events will impact the legalized cannabis industry in 2018.

To Watch in 2018

- Increasing Recreational Legalization
- Cannabis Consumer Experience goes "Mainstream"
- FDA Approval of Cannabis-Derived Pharmaceuticals
- Commoditization of Cannabis Flower
- Access to Banking Services for U.S. Cannabis Companies
- Increasing Strategic Investor Activity; Continuing Funding Gap

Increasing Recreational Legalization

We expect 2018 will be a watershed year for recreational markets, both in the United States and internationally. California will begin implementing its new recreational law in January 2018, and Canada's proposed recreational law is widely expected to be approved in some form by mid-2018.

California, which has a population of 38 million people and receives 250 million visitors annually, is poised to transition from the world's largest medical cannabis market to the largest recreational market with the implementation of its recreational law in January 2018.

In each of the three largest U.S. states to implement recreational laws—Colorado, Oregon and Washington—the size of the legalized cannabis market expanded significantly, doubling the size of the overall market in each of these states in the first full calendar year after implementation. The world has yet to experience a legalized recreational cannabis market in a jurisdiction as large as California, and how the supply chain, consumer response and regulatory framework will coalesce in such a market remains to be seen.

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Nonetheless, we believe that California's state-legal market may double from an estimated $3.2 billion in 2017 to approximately $6.5 billion in 2018.

Canada has assumed the role of a global leader of cannabis legalization. Although Canada's legal cannabis market is presently limited to medical cannabis, it is currently the largest federally legal cannabis market in the world, estimated at $1.5 billion in 2017. In April 2017, a proposed recreational law was introduced in the Canadian parliament; the proposed Cannabis Act would allow adults to purchase cannabis from federally licensed producers and to possess and share cannabis with other adults. The Cannabis Act is widely expected to be approved in some form by the Canadian parliament by mid-2018. If approved, Canada would be the largest country in the world to legalize recreational cannabis on a national level, and we believe that the implementation of the Cannabis Act would significantly expand the size of Canada's overall market. Canada has demonstrated that by providing a national legal framework for cannabis, companies operating legally within the industry have had a clear "first to market" advantage, allowing them to raise significant amounts of capital and to pursue domestic and international expansion opportunities.

If these recreational laws stimulate demand, as expected, and are otherwise viewed as successful, we expect more U.S. states and additional countries to follow suit with similar laws. In the United States, legislatures in eight states (Arizona, Delaware, Florida, Michigan, New Jersey, Ohio, Rhode Island and Vermont) are expected to introduce ballot measures or explore regulatory frameworks for recreational cannabis in 2018.

Cannabis Consumer Experience Goes "Mainstream"

Cannabis consumer product companies and retailers are rapidly evolving to meet the needs of the "mainstream" cannabis consumer. Cannabis consumers are no longer limited to smoking flower with joints, pipes or bongs, but have their choice of an increasing variety of products, including concentrates, infused products and topicals. Products coming to market increasingly address the attributes demanded by the modern consumer—greater discretion, ease of use, product safety and accurate dosing. To attract more mainstream customers, companies have responded to these demands with increasingly sophisticated packaging and advertising.

Where a consumer purchases a product can be as important as the product itself. In the United States, cannabis dispensaries play a critical role by providing consumers with access to a wide variety of products and "high-touch" education and sales services. Merchandising and branding have become more prominent as dispensaries increasingly seek to provide consumers with an experience similar to other mainstream retail shopping experiences. In 2018, we see an opportunity for cannabis dispensaries to drive consumer penetration and mainstream acceptance of cannabis by establishing storefronts in malls and other high-profile retail locations.

In 2018, we believe that product innovation and advancements in cannabis varieties, concentrates, infused products, vaporizing technology and cannabis-derived pharmaceutical products will drive consumer adoption and spending. However, because numerous product categories have low barriers to entry, we expect a significant influx of cannabis brands that will aggressively compete for limited display space in dispensaries. We also believe product differentiation and availability will be more prevalent in legalized cannabis markets and will drive consumer transition from illegal to legal markets.

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"Mainstream" Consumer Experience

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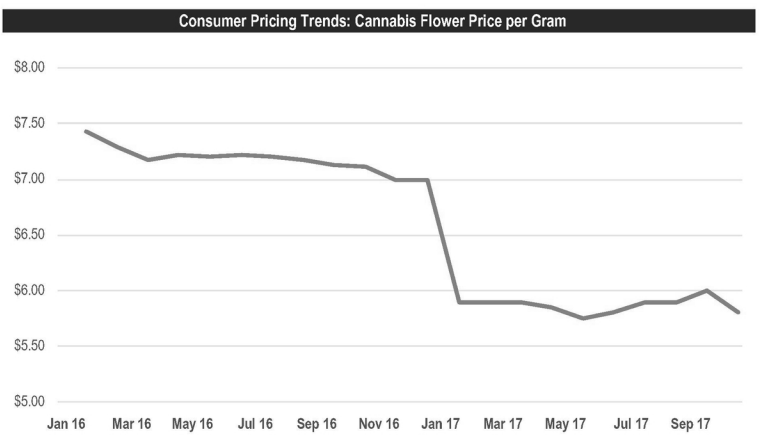
FDA Approval of Cannabis-Derived Pharmaceuticals

The FDA's first-ever approval of a cannabis-derived pharmaceutical may occur in 2018. The FDA has previously approved several drugs with chemically synthesized cannabinoids or cannabinoid-like compounds, but has never approved a drug derived from the cannabis plant. In October 2017, U.K.-based GW Pharmaceuticals submitted a New Drug Application (NDA) to the FDA for Epidiolex, an oral formulation of cannabis-derived cannabidiol, or CBD, intended to treat severe forms of childhood epilepsy. (GW Pharmaceuticals also manufactures Sativex, a mouth spray used for treatment of spasticity caused by multiple sclerosis; it includes THC and CBD derived from cannabis. Sativex was first approved for use in the United Kingdom in 2010, and has been approved for use in at least 30 countries, but not in the United States.) If the FDA approves Epidiolex, such a precedent could be followed by similar approvals in the United States for other cannabis-derived drugs and result in a significant increase in the medical use of cannabis by consumers.

Commoditization of Cannabis Flower

The supply of cannabis in the United States has increased considerably with expanded state legalization. This increase has started to dampen retail and wholesale prices in various markets. While retail prices vary across the country, an examination of the price per gram of cannabis flower, or "bud," in the three largest states to implement recreational laws—Colorado, Oregon and Washington—reveals a downward trend. The following graph shows the average price per gram of cannabis flower in these three states since the beginning of 2016.



Source: BDS Analytics

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As prices decline, we are starting to see closer price parity between state-legal and illegal markets (in the United States, cannabis is generally priced lower in illegal markets than in state-legal markets). We believe that lower retail prices in state-legal markets will accelerate consumer transition from illegal to state-legal markets and drive increased overall penetration rates. However, state and local taxes will continue to impact pricing for cannabis products in state-legal cannabis markets, which will impede the transition to legal markets.

In international markets, cannabis cultivators in South America, particularly in Colombia and Uruguay, are expected to proceed with large-scale operations in 2018, with the anticipated supply of cannabis entering the market in late 2018 or early 2019. These operations are designed to produce output that exceeds local demand, and South American countries are expected to export products to other legal markets, such as Canada and Germany. As legal markets increasingly import cannabis products, we anticipate downward-pricing pressure for cannabis in both the wholesale and retail markets. Cannabis cultivators in domestic markets that permit imports may be challenged by large, low-cost cannabis producers in South America and elsewhere. While these dynamics are expected to impact international cannabis markets, they should not materially affect prices in the United States until the importation of cannabis products becomes legal under federal law.

Access to Banking Services for U.S. Cannabis Companies

Because most cannabis-related businesses in the United States violate federal law, most domestic financial institutions do not provide services to participants in the cannabis industry. Companies in the cannabis industry may not be able to open or maintain bank accounts or access other products and services—such as credit facilities, payment processing and insurance coverage—typically provided by traditional financial institutions. A lack of access to banking and other traditional financial products and services continues to impede the growth of the industry; it increases the time, effort and expense related to ongoing operations and increases risks associated with cash transactions and the use of alternative products and services.

The California State Treasurer's Cannabis Banking Working Group—a panel convened by California State Treasurer John Chiang that includes representatives from the cannabis industry and financial institutions, and government tax collection, law enforcement and regulatory agencies—issued a report in November 2017 on the cannabis industry's banking challenges. In the report, the State Treasurer's Office stated that the cannabis industry's lack of access to banking services is one of the biggest threats to the success of the state's recreational cannabis law, which is scheduled for implementation starting in January 2018.

The U.S. Bank Secrecy Act (BSA) requires financial institutions to file "suspicious activity reports" (SARs) with the Financial Crimes Enforcement Network (FinCEN) regarding customers engaged in "marijuana-related business." From February 2014 through June 2017, FinCEN received a total of 33,692 marijuana-related SAR filings from a total of 390 banks and credit unions (out of approximately 11,500 depository institutions). The following graph based on FinCEN data shows the number of banks and credit unions making such filings. While the percentage of the total number of depository institutions serving the cannabis industry remains small, the growing number of depository institutions making SAR filings indicates that cannabis businesses increasingly are accessing the federal banking system despite federal law.

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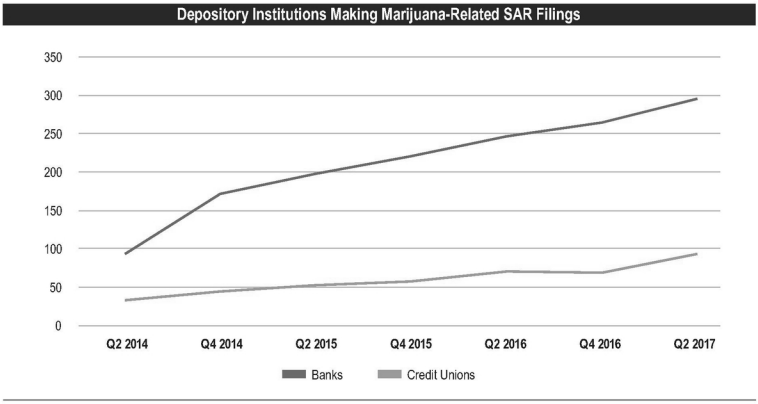

Source: Financial Crimes Enforcement Network

FinCEN has published guidance outlining how financial institutions can, consistent with their BSA obligations, provide services to marijuana-related businesses. However, this guidance does not provide financial institutions with a legal defense for any violation of federal law. Consequently, financial institutions willing to serve the cannabis industry tend to be smaller institutions, such as credit unions and state-chartered banks. "Big" banks generally do not serve, or are not willing to state publicly that they serve, the cannabis industry. For example, according to American Banker, a spokeswoman for Wells Fargo Bank recently said the bank's policy worldwide is to not bank marijuana businesses.

However, as cannabis-related companies increasingly participate in the formal U.S. economy, the notion of what constitutes a "marijuana-related business" is being blurred, and banks are finding it more difficult to institute and follow their own policies. For example, it may be straightforward for a bank to identify and refuse to transact with a cannabis cultivator, but the bank may be unsure whether it can provide services to (or whether it is providing services to) the cultivator's accountant, landlord or investors. For example, Constellation Brands, Inc. (NYSE: STZ), a large beverage company, recently invested approximately $190 million in Canopy Growth Corporation (TSX: WEED), a Canadian cannabis company. According to public filings, Constellation Brands has credit agreements with a number of large financial institutions, including Bank of America, Bank of the West, Fifth Third Bank, Goldman Sachs Bank, JPMorgan Chase Bank, PNC Bank, SunTrust Bank and Wells Fargo Bank. How these institutions respond to the investment by Constellation Brands and other similar transactions may indicate how large financial institutions will interact with the industry in the foreseeable future.

In the current environment, we believe more financial institutions will start to provide some level of service to the cannabis industry. We also agree with the view of the California State Treasurer's Office, as expressed in the working group's report, that it is only a matter of time until cannabis businesses have normal access to banking services. However, if the U.S. federal government were to change its

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current practice and aggressively enforce existing federal cannabis laws, including penalizing financial institutions for serving the cannabis industry, it would have a dampening effect on the industry both in the United States and abroad.

Increasing Strategic Investor Activity; Continuing Funding Gap

We share the belief held by many that, ultimately, established companies from analogous industries—alcohol, pharmaceutical, tobacco and consumer products—will enter the cannabis industry through minority investment, by acquisition or otherwise. We have already seen examples: Constellation Brands' investment in Canopy Growth referenced above and the more than $400 million spent by The Scotts Miracle-Gro Company (NYSE: SMG) to acquire soil, fertilizer, hydroponic equipment and lighting companies that supply the cannabis industry. These types of transactions help validate investor enthusiasm for and valuations in the cannabis industry, and we expect similar transactions to occur with increasing frequency during 2018 and beyond.

Retail investors and an increasing number of family office and strategic investors are providing most of the investment capital to the cannabis industry. Cannabis-related companies raised more than $2.0 billion in the public and private markets in 2017, but many of the financings were small—less than $5 million. We expect that many institutional investors (most notably, the traditional venture capital and private equity communities) will not invest in the industry until it matures and the legal environment becomes more favorable.

Without institutional support for the cannabis industry, a funding gap exists—companies are seeking more capital than investors are willing or able to provide. We believe that this is especially true in the private markets, where many companies struggle to raise necessary financing. Although capital may be available for select issuers in both public and private markets, we believe that without participation from institutional investors, the cannabis industry will continue to face a significant funding gap for the foreseeable future.

Investment Outlook

Hundreds, if not thousands, of cannabis-related companies are seeking to raise capital—thus presenting investment opportunities for sophisticated investors who want to participate in the cannabis industry. Investors have their choice of investing in the more than 300 publicly traded cannabis-related companies, or in the significant number of private companies raising capital. Investors may also choose among stock markets (both within the United States and internationally), type of security (equity versus debt) and type of company (companies across all segments of the industry are raising capital).

Most of the cannabis-related companies raising capital—even publicly traded companies—are in early stages of development, have de minimis revenue and are not profitable. More than 85% of publicly traded cannabis-related companies have annual revenue less than $5 million, and less than 5% have annual revenue greater than $25 million.

To help investors better evaluate investment opportunities in the cannabis industry, we currently define five primary segments: production, distribution, consumer products, business solutions and

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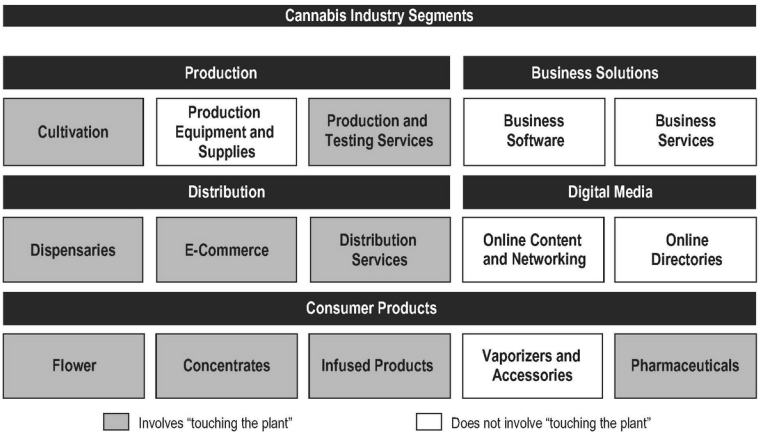
digital media. We further divide each segment into multiple subsegments. Each segment has unique opportunities and risks. For example, companies that possess, manufacture or distribute cannabis (commonly known as "touching the plant") face risks related to violating federal law—and state-law compliance obligations—not generally faced by providers of business software or digital media content. Many businesses operate in multiple segments, and we expect industry leaders to emerge in each segment. The five primary segments and their subsegments are illustrated in the following chart.



In our view, valuations and stock price fluctuations in the cannabis industry continue to be driven more by expectations for the cannabis industry in general than by individual company fundamentals. Today, in the public markets for cannabis-related companies, trading volumes are too low, trading prices are too volatile and operating histories are too limited to place any reliance on current valuation levels. We believe that this dynamic will continue until cannabis-related companies have matured and start to realize meaningful revenue, profitability and other financial metrics that will allow investors to evaluate companies within the industry by more traditional methodology.

It is still too early to know how the cannabis industry or its sectors will be valued in the future. It may come to pass that companies in the cannabis industry are valued comparably to public companies in industries with similar characteristics, such as the alcohol, tobacco, pharmaceutical and consumer products industries, especially as companies from those industries look to enter the cannabis industry, through acquisition or by other means. What is clear now, however, is that investors will continue to have a range of investment opportunities from which to choose in this rapidly growing, dynamic industry.

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CHAPTER II
Cannabis Science 101

The Cannabis Plant

Cannabis is a genus of flowering plant indigenous to Eurasia. For millennia, humans have consumed cannabis for therapeutic, medicinal, social or spiritual purposes and have used the seeds and fibrous stalks of the cannabis plant to produce goods such as rope, paper, clothing and soap.

There are at least three principal cannabis species: *Cannabis sativa, Cannabis indica* and *Cannabis ruderalis*.[1] These three species can be distinguished by their plant structures and leaves. Sativa plants are generally tall, thin and wispy; indica plants tend to be shorter and bushier than sativa plants; and ruderalis plants are shaggy and the shortest of all three species. The following pictures depict the *Cannabis sativa, Cannabis indica* and *Cannabis ruderalis* plants and their leaves.

Cannabis Sativa Plant

Cannabis Indica Plant

Cannabis Ruderalis Plant

[1]Botanists disagree about whether sativa, indica and ruderalis are distinct species or are instead distinct subspecies of a single plant species. Some botanists propose renaming these three species to reflect their geographic origins. This report takes no position on these botanical debates; it merely adopts one set of commonly used nomenclature.

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Cannabis Sativa Leaf

Cannabis Indica Leaf

Cannabis Ruderalis Leaf

Many hybrid varieties of cannabis—sometimes referred to as strains—have developed from these three species, both through selective breeding and in the wild. Most cannabis varieties grown today are hybrids that exhibit features of two or more of these principal species. Cannabis varieties consumed for physiological effects generally are hybrids of sativa and indica that produce relatively large and dense flowers. Certain cannabis varieties—known as hemp—that are grown to produce industrial goods generally are sativa-dominant varieties or hybrids of sativa and ruderalis that produce relatively small and sparse flowers.

Cannabis yields more than 100 different compounds known as "cannabinoids," which, when consumed, act on cannabinoid receptors in cells in the human nervous and immune systems. The primary cannabinoid in most cannabis is tetrahydrocannabinol, or THC, the psychoactive compound responsible for the "high" or euphoric feeling commonly associated with cannabis consumption. The next most abundant cannabinoid is cannabidiol, or CBD, which produces a physical effect without the psychoactive effects associated with THC.

Cannabis also includes a variety of compounds known as "terpenes," which are understood to interact with cannabinoids to produce some of the physiological effects sought by cannabis consumers. Terpenes are present in cannabis and many other types of plants and are responsible for a plant's aroma and flavor. Examples of terpenes found in cannabis include limonene, which is known for its citrus smell and is also present in citrus fruit rinds, and pinene, which is known for its pine and fir aromas and is also found in pine resin.

The highest concentrations of cannabinoids and terpenes are found in the "trichomes" on the flowers of unpollinated female cannabis plants. Trichomes are crystalline or hairlike components that secrete cannabinoids, terpenes and other compounds; they generally occur all over the cannabis plant but are found in highest concentration on the flower. The following illustration shows the basic anatomy of a cannabis plant, and the images to the right show a female cannabis plant flower and a close-up view of trichomes.

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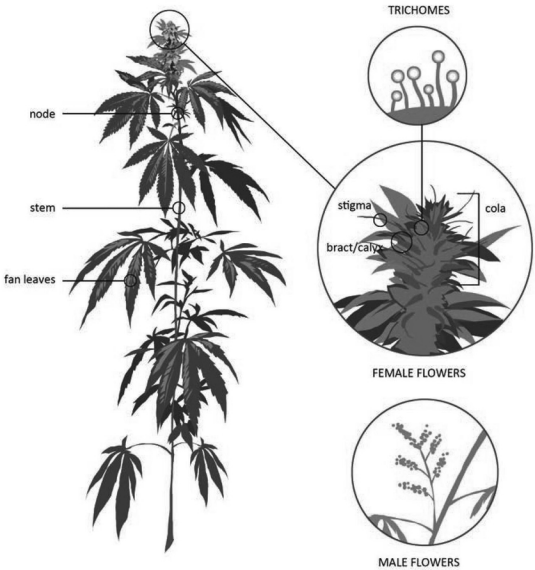

Cannabis Flower

Trichomes

Cannabis Plant Anatomy

Cannabis can be consumed in a variety of ways that introduce its active compounds into the body: smoking cannabis flower or its extracts, vaporizing cannabis flower or its extracts, ingesting cannabis extracts or food products prepared with cannabis and topical application of cannabis products. Human consumption of cannabinoids and terpenes is widely believed to have numerous medicinal benefits and therapeutic applications. Depending on the types and relative concentrations of the cannabinoids and terpenes consumed, these benefits may include pain relief, reduction of inflammation, and promotion of an energetic, uplifting mood or a calm, relaxed mood.

Although humans have used cannabis therapeutically for thousands of years, only recently have scientists begun to research and understand at the chemical and biological levels how cannabis works with the human body. In the 1940s, the American organic chemist Roger Adams performed numerous studies on cannabis and identified and isolated the cannabinoids THC, CBD and cannabinol, or CBN. In the 1960s, a team of scientists led by Raphael Mechoulam at the Weizmann Institute of Science in Israel more completely determined the chemical composition of THC, CBD and certain other cannabinoids. This research on cannabinoids ultimately led to the discovery that the human body naturally produces its own cannabinoids and uses them to regulate homeostasis (a process by which biological systems tend to maintain internal stability, or balance).

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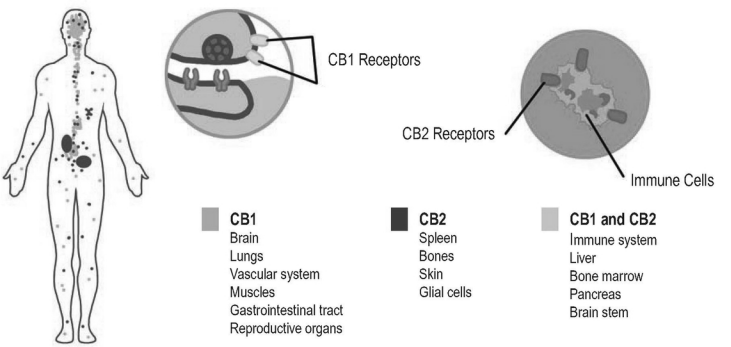
The Human Endocannabinoid System

The human endocannabinoid system consists of nervous and immune system receptors involved in regulating health and physiological functions. There are two types of endocannabinoid receptors, CB1 and CB2 receptors, which are located in the brain and in other organs, tissues and glands throughout the human body. The human body actively regulates variables related to appetite, immune response, memory, mood, pain, sleep and other functions by naturally creating compounds known as "endocannabinoids" and delivering them to these receptors. The following illustration depicts the human endocannabinoid system and the location of CB1 and CB2 receptors.

Human Endocannabinoid System



The physiological effects of cannabis consumption are believed to be primarily the result of THC, CBD and other cannabinoids bonding with the body's endocannabinoid receptors and the consequent impact on functions regulated by the endocannabinoid system. As scientists gain a deeper understanding of the human endocannabinoid system, they are beginning to explore the application of cannabinoids to a broad range of medical conditions and ailments. Although medical research on cannabinoids is nascent, cannabis is currently being used to manage many conditions, including anxiety, depression, inflammation, insomnia, nausea, neural disorders and pain.

CB1 and CB2 Receptors

CB1 and CB2 endocannabinoid receptors, which are found on cell surfaces throughout the body, are believed to be more numerous than any other cellular receptor signaling system in the human body. The CB1 receptors are located primarily in the brain, central nervous system and other tissues; these receptors play a modulatory role in memory, mood, sleep, appetite and pain sensation. The CB2 recep-

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tors are located primarily in peripheral organs associated with the immune system, with the greatest concentration in the spleen, and are responsible for managing inflammation and autoimmune function. Many tissues contain both CB1 and CB2 receptors, with each receptor type linked to a different physiological function.

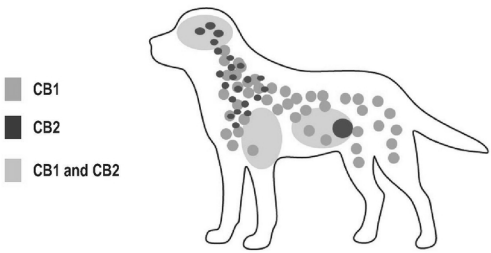
Human Endocannabinoids

Endocannabinoids are the cannabinoids created naturally by the human body for delivery to CB1 and CB2 receptors. In contrast with cannabinoids introduced through cannabis consumption, endocannabinoids are broken down quickly by the body and cause effects with shorter durations. One well-studied endocannabinoid is anandamide (AEA). AEA is associated with the maintenance of mood, and AEA deficiency is understood to be anxiogenic (anxiety-inducing). Maintaining appropriate AEA levels within the human body is believed to reduce pain and inflammation, counter the proliferation of cancer cells, relieve anxiety and promote adult neurogenesis (a process whereby nerve cells are generated from neural stem cells). Like THC, AEA has a small molecular structure that binds to CB1 receptors. AEA is currently being studied for its effects on angiogenesis (the process of developing new blood vessels), anxiety, cancer and memory consolidation. AEA is also present outside the human body; for example, it is a natural component of chocolate.

Endocannabinoid Systems in Animals

Nonhuman mammals, including dogs, cats and horses, have been shown to have endocannabinoid systems that are similar to their human counterparts: these systems employ CB1 and CB2 receptors and function through the natural production of endocannabinoids. This implies that the endocannabinoid system is not a recent evolutionary development, but rather an ancient physiological feature of mammals in general. The cannabinoids found in cannabis, particularly CBD, have been shown to have a range of therapeutic applications for certain animals, including antibacterial and anti-inflammatory properties, appetite and bone-growth stimulation, and pain relief. The following chart depicts the canine endocannabinoid system and CB1 and CB2 receptors.

Canine Endocannabinoid System



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Cannabinoids

Cannabinoids are compounds present in the cannabis plant that act on human cannabinoid receptors in cells in the nervous and immune systems. Scientists have identified more than 100 cannabinoids in the cannabis plant. Generally, the most abundant cannabinoid is THC, a psychoactive compound that causes a euphoric "high," and the second most abundant cannabinoid is cannabidiol, or CBD, which produces a relaxing physical effect without a psychoactive effect. Consuming cannabinoids has been shown to have numerous medicinal benefits and therapeutic applications. The following table lists 20 common conditions for which medical cannabis use has been legalized under U.S. state laws and identifies 8 cannabinoids that are used or being studied to treat these conditions. A brief description of these cannabinoids follows the table.

Common Qualifying Medical Conditions and Potentially Therapeutic Cannabinoids

	THC	CBD	CBC	CBG	CBGA	CBN	THCA	CBDA
Alzheimer's disease	●							●
Amyotrophic lateral sclerosis (ALS)	●	●				●		
Anorexia	●							
Arthritis	●	●						
Cachexia	●	●						
Cancer	●	●	●	●			●	●
Chronic pain	●	●	●		●	●	●	
Crohn's disease				●				
Epilepsy		●						
Glaucoma	●	●		●				
Hepatitis C	●	●						
HIV/AIDS	●	●						
Inflammation		●	●	●	●		●	●
Migraine	●	●						
Multiple sclerosis	●							
Nausea	●	●					●	
Nervous system degeneration		●						
Parkinson's disease		●						
Post-traumatic stress disorder (PTSD)		●						●
Spasms	●	●				●	●	

THC **Tetrahydrocannabinol:** THC refers to delta-9-tetrahydrocannabinol and certain chemical variants, including delta-8-tetrahydrocannabinol. THC is the most abundant cannabinoid in cannabis and is understood to be the psychoactive compound in cannabis primarily responsible for the euphoric feeling of being "high." Both recreational and medicinal users often seek the psychoactive effects of THC and may prefer certain cannabis products based solely on the quality and level of THC. THC is believed to have wide-ranging medicinal benefits: analgesic, antianxiety, antibacterial, anticancer,

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antidepressant, antiemetic, anti-inflammatory, antinausea and antispasmodic. It also is believed to have therapeutic applications, such as appetite stimulation, bronchodilation, neuroprotection and pain relief.

CBD Cannabidiol: CBD is considered to be the second most abundant cannabinoid in cannabis. It is nonpsychoactive and is believed to counteract the psychoactive effects of THC. CBD also is believed to have wide-ranging medicinal benefits: analgesic, antianxiety, antibacterial, anticancer, anticonvulsant, antidepressant, antiemetic, anti-inflammatory, anti-insomnia, anti-ischemic, antipsychotic and antispasmodic. In addition, CBD is believed to have therapeutic applications, including appetite stimulation, bone-growth stimulation, immunosuppression and neuroprotection. CBD can be derived from many cannabis strains, including low-THC strains ordinarily grown to produce industrial hemp products.

CBC Cannabichromene: CBC is thought to be the third most abundant cannabinoid in cannabis and is nonpsychoactive. Like THC and CBD, CBC is believed to have several medicinal benefits, including analgesic, antibacterial, anticancer, antidepressant, antifungal, anti-inflammatory and anti-insomnia. CBC is also used as a therapeutic bone-growth stimulant. Ongoing research seeks to determine the role of CBC in reducing gastrointestinal inflammation. CBC may also have applications in pain management—in addition to binding to the CB1 and CB2 endocannabinoid receptors, it has been shown to interact with certain pain receptors.

CBG Cannabigerol: CBG is nonpsychoactive and is believed to have several medicinal benefits—analgesic, antibacterial, anticancer, antidepressant and antifungal—as well as a therapeutic application for bone-growth stimulation. CBG is present primarily during the early stages of the cannabis plant's growth cycle; only small amounts can be extracted from the plant during its flowering stage (although strains of cannabis have recently been bred to have high levels of CBG). CBG is believed to partially counteract the psychoactive effects of THC and to decrease anxiety and muscle tension.

CBGA Cannabigerolic Acid: CBGA is a nonpsychoactive precursor to all other cannabinoids, including THC, CBD, CBC and CBG. Much of a cannabis plant's CBGA ultimately transforms into other cannabinoids through the chemical process of decarboxylation. CBGA is used for analgesic and anti-inflammatory applications. Certain cannabis strains cultivated to produce industrial hemp products are believed to contain high levels of CBG relative to other strains.

CBN Cannabinol: CBN has been shown to produce some psychoactive effects and is believed to have several medicinal benefits, such as analgesic, antibacterial, anticonvulsive, anti-inflammatory and anti-insomnia. Unlike many other cannabinoids, CBN is not derived directly from CBGA decarboxylation; instead, it results from THC degradation. The CBN level of a cannabis plant is sometimes used as a measure of the plant's overall quality for consumption.

THCA Delta-9-Tetrahydrocannabinolic Acid: THCA is found abundantly in raw cannabis flower and is the precursor to THC. THCA is nonpsychoactive and is believed to have several medicinal benefits, including anticancer, anti-inflammatory and antispasmodic. THCA decarboxylates into THC through drying or application of intense heat, such as the heat applied during smoking or vaporizing the cannabis plant.

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CBDA **Cannabidiolic Acid:** CBDA, the precursor to CBD, is nonpsychoactive and is believed to have several medicinal benefits—anticancer, antiemetic and anti-inflammatory—as well as therapeutic applications. Generally, CBDA is present in the cannabis plant in low levels, although recently some strains have been grown with CBDA levels comparable to typical THC levels. Like THCA, CBDA decarboxylates into other compounds when heated. (An explanation of decarboxylation follows.)

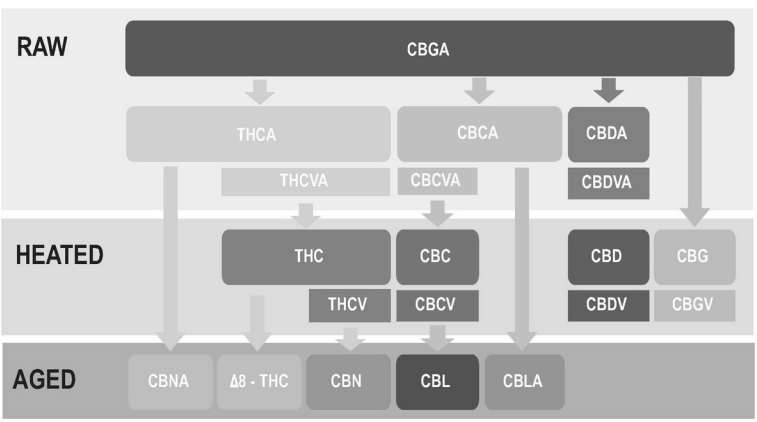
Cannabinoid Composition Levels

As a general rule, THC and CBD are the most prevalent cannabinoids found in many strains of the cannabis plant, with other cannabinoids appearing in relatively minuscule amounts. (One exception to this rule is the low-THC strains grown to produce industrial hemp.) THC-dominant strains historically have been the most popular with cannabis consumers, but CBD-dominant strains and strains with high levels of other cannabinoids are believed to have medicinal benefits and hold promise for therapeutic applications.

Cannabinoid Creation: Decarboxylation

All cannabinoids present in cannabis begin as cannabigerolic acid, or CBGA. CBGA is ultimately transformed into various other cannabinoids through decarboxylation, a process by which a compound's chemical structure changes due to light, heat, alkaline conditions or other chemical forces. The two main catalysts for decarboxylation of CBGA and other cannabinoids are heat and time (the aging process). The following chart depicts the process of cannabinoid decarboxylation.

Cannabinoid Decarboxylation Process



Source: Elemental Wellness

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As examples of the decarboxylation process, consider the changes to THCA that result from heat and aging. If the nonpsychoactive THCA naturally present in raw cannabis is heated, it quickly decarboxylates into psychoactive THC; this is what commonly occurs when cannabis flower is smoked or vaporized for its psychoactive effect. THCA may also be stored and aged to produce CBN.

Cannabinoid Boiling Points

Cannabinoids boil at temperatures lower than the temperature at which cannabis flower burns. Based on this property, vaporizers have been developed to heat cannabis flower to a point at which its active compounds boil and can be inhaled as vapor but at which point the flower does not combust and create smoke. The approximate temperatures at which select cannabinoids boil and cannabis flower combusts are shown in the following table.

Compound Boiling and Flower Combustion Temperatures

Compound/Flower	Temperature (°F)
THCA	220
CBDA	250
THC	315
CBD	355
CBN	365
Flower	450

Smoking cannabis flower remains the most popular form of cannabis consumption, even though it is believed to destroy as much as 30% of the active cannabinoids and is less efficient than merely heating the desired compounds to their boiling points. Vaporizers are becoming increasingly sophisticated, and those that can maintain temperatures which target the activation of specific cannabinoids are becoming popular.

Terpenes

Terpenes are a class of organic compounds present in cannabis and many other plants; they are responsible for a plant's aroma and flavor. The strong odors produced by terpenes are believed to be part of the natural defense of many plants. Cannabis contains more than 100 different terpenes, which are believed to interact with cannabinoids in a way that contributes to the medicinal benefits and therapeutic applications of cannabis. Like cannabinoids, terpenes are present in highest concentration in the flowers of cannabis plants. (Terpenoids are certain chemical variants of terpenes, and this report uses the general term "terpene" to refer to both terpenes and terpenoids.)

Terpenes are believed to interact in various ways with the human physiology: by acting on receptors and neurotransmitters, combining

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or dissolving with fats, inhibiting serotonin uptake and increasing dopamine activity in the brain. Scientists have yet to develop an extensive and detailed understanding of the mechanisms and effects of many terpenes. However, consumption of certain cannabis strains with particular terpene profiles and corresponding aromas are generally associated with certain experiences. For example, cannabis strains that smell of musk or clove (indicating the presence of myrcene) tend to cause sedative and relaxing effects, strains with a piney scent (indicating the presence of pinene) are used to promote focus and memory retention, and strains with a lemony scent (indicating the presence of limonene) are consumed for mood uplift.

The following table identifies eight terpenes found in cannabis and lists the medicinal benefits and therapeutic applications commonly associated with each.

Potential Medicinal Benefits and Therapeutic Applications of Notable Terpenes

	Camphene	Caryophyllene	Humulene	Limonene	Linalool	Myrcene	Pinene	Terpinolene
Antianxiety				●	●			
Antibacterial	●	●	●	●	●	●	●	●
Anticancer		●		●		●	●	
Anticonvulsive				●	●			
Antidepressant				●	●			
Antifungal	●	●		●	●	●	●	●
Anti-inflammatory	●		●			●	●	
Anti-insomnia					●			●
Anti-ischemic		●						
Antiseptic						●		●
Antitumor			●					
Appetite suppressant			●					
Bronchodilator	●	●					●	

Camphene: Camphene smells strongly of damp woodlands and fir needles and is believed to have several medicinal benefits, such as antibacterial, antifungal and anti-inflammatory, and a therapeutic application as a bronchodilator. Some studies have shown that camphene could be used to combat heart disease as an alternative to other pharmaceutically based therapies with harsh side effects. Camphene is a minor component of many essential oils and is used as a food additive.

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Caryophyllene: Caryophyllene is known for its peppery, woody and spicy smell. It is believed to have several medicinal benefits, such as antibacterial, anticancer, antifungal and anti-ischemic, and a therapeutic application as a bronchodilator. Caryophyllene is found in many plants, including Thai basil, cloves, cinnamon leaves and black pepper.

Humulene: Humulene is well known for giving beer its hoppy aroma and is believed to have several medicinal benefits: antibacterial, anti-inflammatory and antitumor. Humulene is used to aid weight loss by acting as an anorectic (appetite suppressant). It is also found in hops and coriander.

Limonene: Limonene is recognized for its citrusy smell. Its medicinal benefits are believed to include antianxiety, antibacterial, anticancer, anticonvulsive, antidepressant and antifungal. Limonene present in cannabis quickly enters the bloodstream upon inhalation, which may facilitate the quick absorption of other terpenes and thus contribute to an uplifting experience. Limonene is also present in citrus fruit rinds, rosemary, juniper, peppermint and pine needle oils, and its strong smell serves as a natural insect repellent.

Linalool: Linalool has floral and lavender aromas. It is believed to have medicinal benefits that include antibacterial, antidepressant, antifungal and anti-insomnia. Linalool may also counteract anxiety induced by THC consumption. Some research suggests that linalool may boost the immune system, reduce lung inflammation and restore cognitive and emotional function (potentially making it useful in the treatment of Alzheimer's disease). Linalool is found naturally in hundreds of plants and is a common ingredient in bath products.

Myrcene: Myrcene is generally the most abundant terpene found in cannabis and is known for its musky and earthy herbal smell, comparable to the smell of cloves. Myrcene is believed to have several medicinal benefits, including antibacterial, anticancer, antifungal, anti-inflammatory and antiseptic. Myrcene is understood to enable and hasten the psychoactive effect of THC by lowering resistance posed by the blood-brain barrier and increasing the THC saturation capacity of the CB1 receptors. Consuming cannabis with high levels of myrcene may contribute to sedative and relaxing effects suitable for the treatment of insomnia and pain. Myrcene is present in hops, citrus fruits, bay leaves, eucalyptus, wild thyme, lemongrass and many other plants.

Pinene: Pinene is known for its pine and fir aromas and is believed to have medicinal benefits, such as antibacterial, antifungal and anti-inflammatory, and a therapeutic application as a bronchodilator. Pinene has shown potential to function as an anticancer agent and is believed to counter some of the psychoactive effects of THC. Pinene is present in conifers, pine resin and citrus fruits and is one of the terpenes most prevalent in nature.

Terpinolene: Terpinolene has a piney aroma and subtle herbal and sweet floral scents similar to citrus fruits. Terpinolene is believed to have medicinal benefits, including antibacterial, antifungal, anti-insomnia and antiseptic. It is also thought to be a central nervous system depressant and is used to induce sleep or reduce psychological distress. Terpinolene is found in sage and rosemary and is used in soaps and perfumes.

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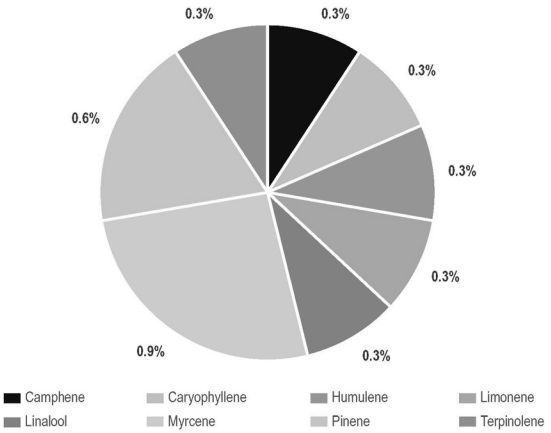
Cannabis Plant Terpene Profile

Myrcene is the most abundant terpene found in many cannabis strains, and other terpenes are generally present in lesser, varying amounts. The following chart shows the terpene levels (percentage by weight) found in the flower of a typical strain of cannabis.

Typical Cannabis Flower Terpene Levels (Percentage by Weight)



Cannabis Formulations

The "Entourage Effect"

The cannabis industry is currently focused on identifying and producing customized formulations of cannabinoids and terpenes that may effectively target specific health conditions or otherwise cause an intended, desirable effect on users. Cannabis strains with specific THC to CBD ratios are currently the predominant focus for therapeutic applications. THC to CBD ratios in strains popular for treating certain medical conditions generally range from 100:1 through 1:100, as illustrated by the following chart.

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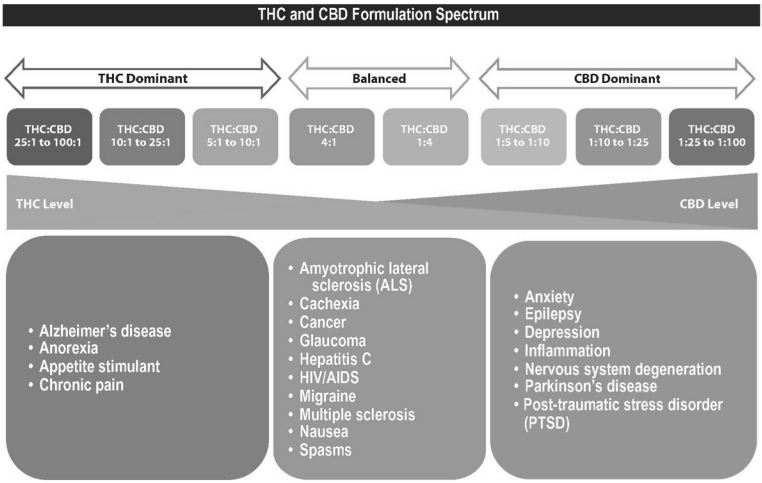

The "entourage effect" refers to the overall user experience produced by the interactions among all active compounds in the cannabis plant. The various cannabinoids and terpenes in a particular cannabis plant are believed to work synergistically with each other and with the human endocannabinoid system to create an effect very different from the effect any one compound would create. This phenomenon may partially explain why different cannabis strains are used to treat diverse medical conditions.

There are several generally accepted examples of the entourage effect. CBD is believed to regulate the psychoactive effects of THC and reduce short-term memory loss, sleepiness and paranoia that may be caused by THC. Myrcene is understood to enable and hasten the psychoactive effect of THC by lowering resistance posed by the blood-brain barrier and increasing the THC saturation capacity of the CB1 receptors. Other terpenes have been shown to block endocannabinoid receptors in the brain while promoting bonding by endocannabinoid receptors located elsewhere in the body.

Many cannabinoid and terpene formulations developed for therapeutic applications are created by combining extracts from multiple cannabis strains, a process known as "Frankensteining." Some believe Frankenstein formulations are less effective than formulations developed from a single strain because the natural balance of compounds in a single strain translates to a naturally balanced effect on the human body.

An understanding of entourage effects and how to effectively combine cannabinoids and terpenes is believed to be critical to the development of targeted cannabis therapies. Examples of cannabis-based therapies being developed with specific cannabinoid-terpene profiles include acne medication containing CBD and limonene, linalool and pinene; antiseptic agents containing CBG and pinene; treatments

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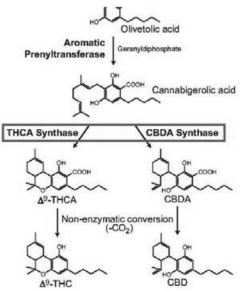
for social anxiety disorders containing CBD, limonene and linalool; and sleeping medicines combining CBD, THC, caryophyllene, linalool and myrcene.

Genetics and Propagation

Selective breeding and other botanical techniques are being used to develop cannabis varieties with desired profiles of compounds, and scientists are developing tools to synthesize isolated cannabinoids in laboratory settings in order to study cannabis at the genetic level. For example, the first mapping of a cannabis genome was completed in 2011 by a team of Canadian botanists, led by Jon Page from the National Research Council Canada and Timothy Hughes from the University of Toronto, who sequenced 30,000 genes in a sativa variety named "Purple Kush."



Cannabis Genome

Genetic copies, or "clones," of cannabis plants are generally produced using two methods, "clone clipping" and micropropagation, or "tissue culture." Clone clipping involves cutting a growing tip from a cannabis plant that is several inches long and inserting the cut tip into a growing medium, where it then grows into a new plant. Tissue culture involves taking a small tissue sample (which may even be a single cell) from a plant and growing it temporarily in a sterile nutrient solution before transferring it to a permanent growing medium. Controlling cannabis plant genomes is expected to be an important intellectual property issue in the cannabis industry (at least one U.S. patent has been issued for a strain of cannabis).

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Cannabis Plant Tissue Cultures

Synthetic cannabinoids and terpenes can be manufactured by modifying plant-based compounds or through tools of synthetic biology and biocatalysis. For example, a synthetic version of THC known as dronabinol is the active compound in the pharmaceutical product Marinol, which was approved by the FDA in 1985 for use in treatment of nausea and vomiting associated with cancer chemotherapy. Methods for biosynthetic production of cannabinoids have been patented in the United States. Some medical practitioners and cannabis users have found synthetic compounds to be less effective than plant-based cannabinoids and have attributed this reduced efficacy to the lack of an entourage effect.

Dosage, Safety and Side Effects

Cannabis dosing schedules provided by doctors and producers generally lack scientific rigor and, although industry participants strive to create a reliable dosing framework, users generally determine dosage through self-titration and trial and error. (This method of dosing does not always lead to the desired effect, but it is generally agreed that there is a low risk of death from an overdose of cannabis.)

Product packaging commonly indicates that a 10-mg serving of cannabinoids represents one dose, and servings of 2 mg to 5 mg are commonly characterized as "microdoses." Examples of representative dosage amounts used to treat some common medical conditions are presented in the following table.

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Representative Dosage Amounts

Desired Effect or Ailment	Dosage	Dosage Ratio (THC:CBD)
"High"	10 mg THC	10:1 to 100:1
Anxiety, depression, spasms	25 mg CBD	1:10
Cancer	25 mg CBD	1:1
Chronic pain	2.5–20 mg THC	10:1
Epileptic seizures	200–300 mg CBD	1:5
Glaucoma	20–40 mg CBD	1:2 to 1:4
Increased appetite	2.5 mg THC	5:1
Multiple sclerosis	2.5–120 mg THC	1:1
Schizophrenia	40–1,280 mg CBD	1:4 to 1:128
Sleep disorders	40–160 mg CBD	1:4 to 1:16

Neither the potential medicinal benefits and therapeutic applications of cannabis consumption nor the negative side effects of cannabis use have been thoroughly researched by medical science. Short-term negative side effects are believed by some to include sensory distortion, panic, anxiety, poor coordination of movement, reduced reaction time, lethargy or drowsiness, depression and elevated heart rate. Longer-term effects may include suppression of the immune system, growth disorders, destruction of lung fibers, brain lesions, reduced sexual capacity, difficulties with concentration, reduced ability to learn and retain information, and personality and mood changes. There is also an ongoing debate about whether cannabis consumption may lead to the abuse of more harmful substances (the so-called "gateway drug" debate).

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CHAPTER III
Cannabis Industry Segmentation

The nascent cannabis industry is often viewed by investors and others as a single, homogeneous industry, in much the same way the "technology" industry was viewed in the early 1990s. As the technology industry became more important to the global economy and was better understood by the investment community, however, investment banks and other industry analysts tracked an increasing number of discrete yet related industry segments. In the cannabis industry we are seeing a similar trend, which we expect to continue as the industry evolves.

To help investors better evaluate investment opportunities in the cannabis industry, we currently define five primary segments: production, distribution, consumer products, business solutions and digital media. We further divide each segment into multiple subsegments. Each segment has unique opportunities and risks. For example, companies that possess, manufacture or distribute cannabis (commonly known as "touching the plant") face risks related to violating federal law—and state-law compliance obligations—not generally faced by providers of business software or digital media content. Many businesses operate in multiple segments, and we expect industry leaders to emerge in each segment. The five primary segments and their subsegments are illustrated in the following chart.

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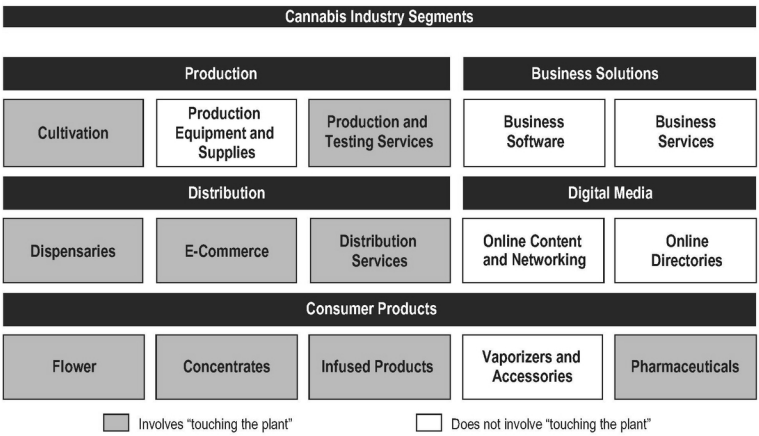

Production

We divide the production segment of the cannabis industry into three subsegments: cultivation, production equipment and supplies, and production and testing services. Cultivation involves operating grow facilities, propagating cannabis strains, and harvesting and curing cannabis flower. Production equipment and supplies include the physical components used in production, such as extraction equipment, testing equipment, lighting, irrigation systems and plant nutrients. Production and testing services include services that support production, such as extraction or packaging, as well as testing services related to product safety, composition and quality control. Each of these production subsegments is described in more detail in the following discussion.

Cultivation

The principal function of a cannabis cultivator is to produce cannabis plants and flowers with the aromas, flavors, active compounds and overall quality demanded by consumers and production intermediaries. A cultivator can access hundreds of existing cannabis strains by purchasing seeds or clones from commercial seed banks or nurseries, or developing unique strains through selective breeding. A cultivator seeks to optimize the quality and quantity of a plant's yield by managing cultivation input variables such as light, air, nutrition, and drying and curing times.

Cannabis Cultivation Process

Ordinarily, a period of three to ten months is required to grow and prepare cannabis flower for consumption. The cultivation process generally can be organized into six phases: seed selection, seedling, vegetative, flowering, harvesting and curing. Each of these phases is summarized in the following table.

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Cultivation Process Overview: Seed to Bud

Time	Seed Selection	
Start	Selecting a seed is the first step of the cultivation process. A cultivator can choose from more than 1,500 unique seed varieties, each of which has the capacity to produce a cannabis strain with a particular cannabinoid and terpene profile and other unique characteristics.	
	Seedling	
1–4 Weeks	The seedling stage is the period during which the seed sprouts and the plant stem starts to grow. During this stage, cultivators manage growth to avoid long stems that may lack the strength to support further vegetation.	
	Vegetative	
3–8 Weeks	The vegetative stage is characterized by the plant's rapid growth and revelation of sexual characteristics. During this stage, cultivators remove male plants and control growth inputs, such as light and nutrients, to maximize the plant's yield of unpollinated female flower (which generally contains the highest concentration of active compounds).	
	Flowering	
6–16 Weeks	The flowering phase comprises the growth and maturation of the cannabis flower and the trichomes on the flower. Trichomes are hairlike components that secrete cannabinoids, terpenes and other compounds. Trichomes generally occur all over the surface of the plant, but are found in highest concentration on the flowers of unpollinated female plants.	
	Harvesting	
2–4 Weeks	Harvesting involves clipping the leafstalks (on which the flowers grow) from the main plant stem, drying the leafstalks and flowers, and trimming the dried flowers. Cultivators harvest at a time calculated to maximize flower yield and optimize cannabinoid and terpene content.	
	Curing	
2–8 Weeks 3–10 Months	The curing phase is a period of controlled fermentation of the dry cannabis flower. The conditions under which fermentation occurs, as well as the duration of the fermentation process, further affect the cannabis flower's aroma, taste and cannabinoid composition.	

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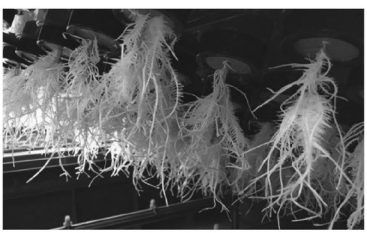
Cultivation Facilities

There are three general types of cannabis cultivation facilities: outdoor facilities, where cannabis is grown under natural sunlight and widely exposed to the elements; greenhouse facilities, where cannabis is grown under filtered sunlight and environmental conditions are partially controlled; and indoor facilities, where cannabis is grown under electrical lighting and environmental conditions are tightly controlled. Some facilities combine features of these general types. For example, some greenhouses rely primarily on filtered sunlight but also employ supplementary electrical lighting to influence the plant flowering cycle. Each type of facility is suitable for certain purposes.

Growing indoors under electrical lighting is the most expensive way to grow cannabis, but typically yields the highest quality cannabis by providing for maximum control over variables such as light, air, nutrition, and exposure to contaminants and pests. Electrical lighting products for indoor cultivation include traditional and compact fluorescent lamps, high-intensity discharge (HID) lamps and light-emitting diode (LED) lamps. Adequate carbon dioxide levels can be maintained indoors with either bottled CO_2 or CO_2 generators. Common indoor growth mediums include soil, hydroponic systems (wherein nutrients are added to sand, gravel or liquid growth medium) and aeroponic systems (wherein roots hang suspended in a nutritional aerosol solution). Indoor cultivation facilities are prevalent in Canada and certain parts of the United States where climatic conditions are not favorable to outdoor cannabis cultivation.

Indoor Grow Rooms



Aeroponic Systems

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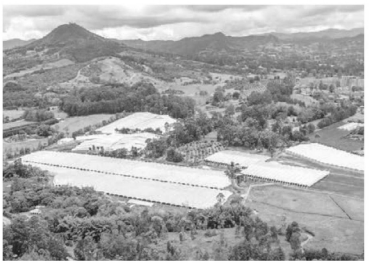
Compared to indoor cultivation facilities that use electrical lighting, greenhouse and outdoor facilities are generally less expensive to operate and more appropriate for large-scale projects, but provide less control over growing conditions. The use of natural sunlight provides substantial savings on lighting equipment and energy costs, but may limit the number of grow cycles per year. Outdoor and greenhouse environments are more exposed to environmental risks that may negatively affect crops, such as pests, contaminants and adverse weather. Outdoor and greenhouse cultivation facilities are prevalent in Oregon, California and certain Latin American countries, which have climates conducive to outdoor growing.



Outdoor Greenhouses

The Business of Cannabis Cultivation

Cultivation businesses must navigate a host of operational challenges, including state and local licensing requirements, facility design and construction, research and acquisition of cannabis strains, intellectual property protection, cultivation process engineering, supply-chain management, yield optimization, facility management and security. Many cultivation businesses retain outside consultants to advise on one or more of these issues, although some businesses manage their entire cultivation operations internally. A cultivator may wholesale cannabis flower and other plant material to cannabis concentrate manufacturers or retail dispensaries, or it may be part of a vertically integrated production and retail business that sells its flower and other internally manufactured products through its own dispensaries.

Certain U.S. laws, foreign laws and international treaties currently restrict interstate and some international movement of cannabis products. A cultivation business that wishes to scale its operations into a new jurisdiction often must invest significant capital in a new cultivation facility located within the new jurisdiction. As laws change to allow more interstate and international transportation of cannabis products, cultivators who are operating redundant facilities or expensive indoor facilities will face increased margin pressure. As the cannabis industry matures and becomes more commoditized, we expect the most successful cultivators will be those with strong consumer brands or scalable low-cost operations in regions where the climate is conducive to agricultural production.

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Production Equipment and Supplies

Production equipment and supplies include the physical components used in cannabis production. Many industry participants in this subsegment provide products to a broad range of fully legal industries and do not "touch the plant"; therefore, these participants typically do not require special cannabis-related licenses and generally avoid legal risks related to violations of federal law.

Some components of cannabis production are similar or identical to components used in other agricultural industries (such as irrigation systems), and some are specialized for application to the cannabis industry (such as extraction machines). Components supplied for many indoor and greenhouse cultivation facilities include electrical lighting equipment, air filtration and circulation systems, irrigation systems, nutrient management systems, drying and curing equipment, and computer-controlled automation and monitoring systems. Specialty cannabis equipment companies now provide "all-in-one" automated indoor cultivation systems that can be used for in-home cultivation or scaled for commercial purposes.

Extraction System

Cultivation System

Production and Testing Services

Production services include cannabis extraction and product manufacturing services provided primarily on a business-to-business basis to cultivators, consumer product companies and retail dispensaries. Extraction companies invest in specialized equipment that transforms cannabis flower into concentrates intended for wholesale. Product manufacturing services companies process cannabis flower or concentrates, or provide packaging and wholesale services.

Testing services include scientific testing of cannabis products and reporting of information about product quality, safety and composition. Cannabis products are tested at multiple stages of production for genetic information and strain verification, cannabinoid and terpene composition and

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potency, moisture content and the presence of contaminants, such as residual solvents, heavy metals, mycotoxins, microorganisms and pesticides. Testing, labeling and certification requirements vary widely across jurisdictions, but increasingly are being required by state law and demanded by supply-chain intermediaries and consumers. Uniform standards for testing and reporting are expected to emerge as scientific understanding of cannabis increases and as industry consensus about cannabis-related health and safety concerns develops.

Providers of extraction, manufacturing and testing services generally must obtain state and local cannabis licenses and are exposed to risks related to federal legal violations.

Composition and Potency

Laboratories ordinarily test cannabis for the specific amounts of 10 to 15 cannabinoids and more than 30 terpenes. Cultivators and production intermediaries rely on these test results to identify and track cannabis varieties and to monitor the quality and consistency of production methods. Retailers and consumers use test results information to assist in purchasing decisions. Almost all consumer products now include labeling that, at a minimum, indicates the amounts of THC and CBD.

Pesticides

Controlling and disclosing the presence of pesticides in cannabis products is increasingly becoming a focus of regulators and producers. Even cannabis grown under organic conditions can be exposed to pesticides inadvertently, so many states now require all cannabis products to be tested by a state-licensed laboratory for pesticides. Pesticides can be especially problematic in cannabis concentrates; studies have shown extraction processes may concentrate pesticides at a rate higher than cannabinoids and terpenes.

Microbiological Organisms

Certain molds, other fungi and bacteria found in and on the cannabis plant can damage the plant or certain cannabis products and can be harmful if consumed by humans. Mold is a problem most commonly found in indoor growing environments and during the cannabis drying and curing process. Organisms found in cannabis and identified by testing includes aspergillus, salmonella, pseudomonas and *E.coli*.

Residual Solvents

Most extraction processes use solvents to extract the active compounds from cannabis plant material. Commonly used solvents include butane, carbon dioxide, ethanol or propane. Residual solvents are those trace amounts of solvents that remain in a cannabis concentrate after the extraction process. Some residual solvents can be harmful if consumed by humans in sufficient amounts, and others should not be consumed in any amount.

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sclabs
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Certificate of Analysis

Sample Name:
Tested for:
Sample ID:
Date Tested:

Sample Type:
Total Sample Wt:

Potency Test Results

Full spectrum cannabinoid profiling and analysis utilizing High Performance Liquid Chromatography (HPLC/UV)

Cannabinoid Summary

Total THC	Δ9THC+THCa	N/A
Total Potential Δ9THC		0.00 %
Total CBD	CBD+CBDa	N/A
Total Potential CBD		0.00 %
Total CBN	Total CBN	N/A

Full Cannabinoid Profile

Tetrahydrocannabinol	Δ9THC
Tetrahydrocannabinolic Acid	THCa
Cannabidiol	CBD
Cannabidiolic Acid	CBDa
Cannabinol	CBN

Total Active Cannabinoids:

Terpene Test Results

Screening and profiling for 34 terpenes found in Cannabis utilizing Gas Chromatography - Flame Ionization Detection (GC-FID)

	mg/g / %		mg/g / %
α Bisabolol	3.65 / 0.365	α Terpinene	0.29 / 0.029
α Pinene	239.09 / 23.909	Linalool	4.21 / 0.421
3 Carene	0.09 / 0.009	Limonene	22.28 / 2.228
Borneol	0.00 / 0.000	Myrcene	28.87 / 2.887
β Caryophyllene	54.13 / 5.413	Fenchol	1.48 / 0.148
Geraniol	0.00 / 0.000	α Phellandrene	0.24 / 0.024
α Humulene	20.08 / 2.008	Caryophyllene Oxide	5.51 / 0.551
Terpinolene	1.08 / 0.108	Terpineol	0.11 / 0.011
Valencene	6.20 / 0.620	β Pinene	101.26 / 10.126
Menthol	0.00 / 0.000	R-(+)-Pulegone	0.00 / 0.000
Nerolidol	3.34 / 0.334	Geranyl Acetate	0.00 / 0.000
Camphene	5.32 / 0.532	Citronellol	0.00 / 0.000
Eucalyptol	2.65 / 0.265	p-Cymene	0.14 / 0.014
α Cedrene	0.00 / 0.000	Ocimene	2.74 / 0.274
Camphor	0.00 / 0.000	Guaiol	6.69 / 0.669
(-)-Isopulegol	0.15 / 0.015	Phytol	0.27 / 0.027
Sabinene	0.49 / 0.049	Isoborneol	0.00 / 0.000

Total Terpene Concentration 510.35 mg/g / 51.035 %

Pesticide Test Results

HPLC-Mass Spectrometry for 12 compounds including pesticides, fungicides, and plant growth regulators

Acequinocyl	N/A	Imidacloprid	N/A
Pyrethrium	N/A	Spinosad	N/A
Spiromesifen	N/A	Spirotetramat	N/A
Abamectin	N/A	Bifenazate	N/A
Daminozide	N/A	Fenoxycarb	N/A
Myclobutanil	N/A	Paclobutrazol	N/A

Residual Solvent Test Results

Headspace-Gas Chromatography for alkane and alcohol extractions

Propane	N/A	Ethanol	N/A
Methanol	N/A	Isopropanol	N/A
Isobutane	N/A	Mercaptan	N/A
2,2-Dimethylbutane	N/A	2-Methylpentane	N/A
3-Methylpentane	N/A	Cyclohexane + Benzene	N/A
Isopentane	N/A	Neopentane	N/A
n Butane	N/A	n Heptane	N/A
n Hexane	N/A	n Pentane	N/A

Microbiological Test Results

3M Petrifilm and plate counts for microbiological contamination

Total Aerobic Plate Count	N/A	Total Yeast and Mold	N/A
Coliforms	N/A	E coli	N/A
Salmonella	N/A	Pseudomonas	N/A

Sample Certification

Scan to verify at sclabs.com

This sample has been tested by SC Labs and the results are valid until the expiration date shown.

Sample Laboratory Test Results

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Production Opportunities

We believe opportunities in this segment include:

Specialized Production Services. Production services companies that invest in the necessary equipment and facilities should see strong demand for high-margin specialized services from cultivators and other production intermediaries. We expect opportunities will expand for companies that provide extraction services (particularly those who professionally manage hazardous processes such as hydrocarbon extraction) or develop proprietary infused-product manufacturing processes.

Energy-efficient, Integrated Cultivation Components. We anticipate continued design and construction of sophisticated indoor cultivation facilities, which should present a significant opportunity for suppliers of advanced cultivation components that improve yield and reduce energy costs. We believe companies that provide all-in-one integrated systems for automation, monitoring and control of the production process are more likely to succeed than companies that merely offer a single-point solution.

Branded Laboratory Test Certification. Given the importance of product testing, we believe that leading providers of high-quality testing services have an opportunity to establish an industry recognized "certification," and that such a certification may become a key factor in influencing consumer confidence and demand.

Efficiencies in Cannabis Cultivation. We believe that certain segments of the market will become increasingly commoditized and that cultivators with low production costs and high yields will have significant competitive advantage. Cultivators with operations in regions conducive to low-cost natural production should benefit as laws are changed to facilitate interstate and international cannabis commerce.

Production Challenges

Challenges in this segment include:

Scaling Cultivation Operations. Current laws typically force cultivators to build, and obtain licenses for, potentially redundant, capital-intensive cultivation facilities in each jurisdiction they serve. The capital requirements and uncertainty around licensing present serious challenges to cultivators seeking to scale their operations.

Downward-pricing Pressure on Cannabis Flower. Cannabis wholesale prices are declining as large-scale cultivators begin to commoditize cannabis flower. Small and inefficient cultivators (including high-cost indoor producers) may struggle to produce cannabis at effective margins as cannabis cultivation migrates to global regions with conditions that support low-cost, sustainable production.

Lack of Standardized Testing. Currently, it may be difficult or impossible to reliably compare test results between providers of testing services because the cannabis industry has not yet developed uniform testing standards. Until the industry adopts uniform standards that address testing procedures and reporting for a broad variety of flower, concentrates and infused products, providers of testing services may struggle to develop an industry-wide brand and reputation for quality.

Access to Capital. Participants in this segment generally engage in capital-intensive operations. In particular, cultivation, contract manufacturing and testing facilities require significant capital investment. Emerging companies in this segment may struggle to raise sufficient capital to compete effectively.

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Production Outlook

Due to U.S. federal and international legal restrictions on cannabis commerce, producers currently must invest significant capital in potentially redundant facilities located in separate jurisdictions, and many large agricultural producers and equipment suppliers that could effectively compete in the cannabis industry are reluctant to enter the market. In the near term, we expect that cultivators will continue to raise capital for facilities across multiple jurisdictions, and well-managed and well-financed cultivators will differentiate themselves by creating consistent, high-quality strains, developing strong distribution relationships, vertically integrating other supply-chain functions and offering branded products and competitive pricing. We also expect production services companies will benefit from increasing demand for specialized extraction and manufacturing services that cultivators and other production intermediaries cannot efficiently perform themselves, and providers of testing services will benefit from increasingly robust testing and safety regulations. In the long run, we expect more permissive domestic and foreign laws will result in increased competition from large enterprises that are able to realize economies of scale or have operations in regions best suited for efficient, sustainable production.

Distribution

We divide the distribution segment of the cannabis industry into three subsegments: dispensaries, e-commerce and distribution services. Dispensaries are retail outlets where consumers purchase cannabis products for medical or recreational purposes. E-commerce includes digital applications used to enhance the cannabis shopping experience. Distribution services include wholesale and related transportation and logistics services. Participants in the distribution segment generally "touch the plant" and therefore must comply with state and local regulations—which often require licenses or permits—and must accept legal risks related to federal cannabis restrictions.

Dispensaries

Cannabis dispensaries are "point of sale" retail establishments where consumers may purchase medical or recreational cannabis products. Cannabis dispensaries are the face of the cannabis industry in many communities and, consequently, they occupy one of the most heavily regulated and scrutinized positions in the cannabis supply chain.

Dispensaries in established state-legal markets provide consumers with a typical retail shopping experience. Dispensaries typically range in size from 1,000 to 10,000 square feet of retail space. A dispensary may offer between 10 to 50 strains of cannabis flower and a variety of concentrates, edibles, topicals and accessories. Inventory is either acquired from cultivators and other wholesale product suppliers, or cultivated and produced internally. Products may be illustrated in menus or displayed on shelves and may also be available for customers to touch, smell or otherwise examine. Trained customer service staff, often known as "budtenders," are typically available to educate customers about product offerings.

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Dispensary Exterior Views

Dispensary Interior Views

Customer Interactions

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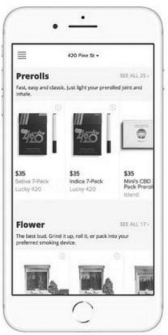
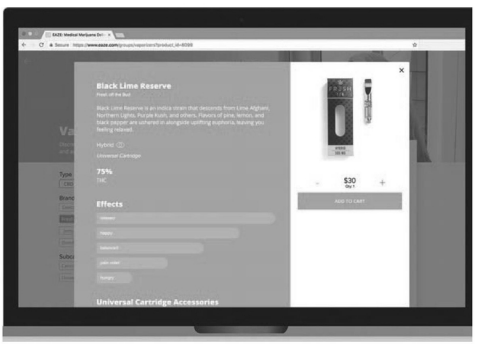
Because dispensaries "touch the plant," they must usually obtain a state license. Obtaining a state dispensary license generally involves a multi-month application process that requires the applicant to demonstrate compliance with complex license criteria and local regulations, such as producing their own products (or being prohibited from doing so), locating their dispensary outside a city's ordinary retail or commercial zones, operating as a nonprofit cooperative or collective, tracking cannabis products from "seed to sale," and collecting taxes on behalf of the state. Dispensaries must also comply with applicable regulations related to product testing, packaging and labeling, security, and health and sanitary conditions.

An extensive network of dispensaries across jurisdictions will facilitate the growth of the cannabis industry and its ability to attract new consumers. Currently, states with the most extensive networks of dispensaries are those that have both recreational and medical cannabis laws, such as Colorado, Oregon and Washington, and those that have had medical cannabis laws for a long period of time, such as California. For example, according to the Rocky Mountain High-Intensity Drug Trafficking Area, as of June 2017, in Colorado there were 491 cannabis dispensaries, compared to 392 Starbucks and 208 McDonald's.

E-Commerce

E-commerce refers to the use of digital applications to enhance the cannabis shopping experience. For example, a mobile application may facilitate the comparison of cannabis products and pricing or the delivery of orders from local dispensaries. These applications are being developed by a host of market participants, ranging from software development companies to retail dispensaries. Due to federal restrictions, cannabis e-commerce transactions are currently conducted only intrastate. If and when federal restrictions change to allow interstate cannabis commerce, we expect that home-delivery and e-commerce services will increase significantly. E-commerce solutions with high consumer engagement (such as those providing reviews and price comparisons for a broad selection of products) will help retailers acquire and retain customers.





Sample E-Commerce Menus

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Distribution Services

Distribution services is emerging as a prominent subsegment of the cannabis industry; services in this subsegment include wholesale distribution of cannabis products to retailers and production intermediaries, as well as related transportation and logistics services. Historically, a high percentage of product manufacturers have sold directly to retail dispensaries, and some of those manufacturers with established "in-house" distribution channels are now leveraging their experience to offer distribution services to third-party manufacturers.

Currently, distribution activities must be conducted only intrastate, and providers of distribution services must comply with regulations related to "touching the plant," including testing and tax-collection requirements. As laws are changed to allow more interstate and international transportation, purchasers will be able to compare products and prices on a national or international basis, and distributors who provide superior product selections and transportation logistics should have significant competitive advantage.

Distribution Opportunities

We believe opportunities in this segment include:

E-Commerce Distribution. The ability to accept electronic orders and deliver cannabis products on demand represents an attractive distribution channel and growth opportunity. Companies that provide digital retail platforms for cannabis products will benefit as consumers migrate to e-commerce transactions.

Branded and Vertically Integrated Dispensaries. We believe that consumers will ultimately concentrate their purchases with a small group of branded dispensaries that provide a distinct, consistent and trusted retail experience and offer supporting e-commerce solutions. Dispensaries that integrate vertically to offer their own branded products should achieve superior margins on those products.

High-profile Retail Locations. We see an opportunity for cannabis dispensaries to attract significantly more customers by establishing storefronts in malls and other high-profile retail locations.

"Land Grab" of Desirable Locations. Companies able to navigate the licensing and real estate challenges required to secure and operate multiple dispensaries in desirable locations should benefit from existing high barriers to entry and capture significant market share.

Distribution Challenges

Challenges in this segment include:

Customer Acquisition and Retention. Like e-commerce businesses in other industries, providers of e-commerce solutions in the cannabis industry face intense competition for customers who can easily change vendor loyalties. Companies will be challenged to minimize customer acquisition costs and retain customers.

Restrictive and Changing Regulations. Obtaining a state dispensary license or other type of distribution permit typically involves a multi-month application process that requires the applicant to demonstrate compliance with complex criteria. In addition to state laws and regulations, dispensaries

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and other distribution intermediaries are subject to county, municipal and other local regulations that may restrict or even prohibit distribution activities. The success of any dispensary operator or distributor depends on anticipating and complying with these regulations.

Tax Issues Related to Distribution. States and localities that legalize cannabis are focused on the potential to generate tax revenue from the industry. Ambiguous, constantly changing and potentially burdensome taxation rules may make it difficult for dispensary operators or distributors to remain in good standing with licensing, regulatory and tax collection agencies and may negatively impact their financial results.

Distribution Outlook

We expect dispensaries across the United States to increasingly seek to provide modern retail experiences that are supported by e-commerce applications. We also expect that the most well-run dispensaries will continue to generate significant cash flow at compelling margins. Dispensaries should be able to gain advantage by producing their own products, by developing strategic or exclusive relationships with specialty producers or by finding ways to generate customer loyalty. However, oversaturation in the number of dispensaries in certain jurisdictions, such as Colorado, has led to a very competitive environment, consolidation and moratoriums on issuing new local dispensary licenses by various municipalities.

The distribution segment is subject to some of the strictest and most frequently changing regulations applicable to the cannabis industry. While distribution opportunities may arise with changes in law, some legislation may cause significant disruption. For example, the number of dispensaries operating in the greater Los Angeles region is expected to decrease significantly in the short term as California's new cannabis regulatory agency begins its oversight and enforcement efforts in 2018.

The distribution services subsegment in the United States is still in its infancy and has experienced a number of growing pains related to a lack of well-established distribution channels. For example, a Nevada law generally requiring dispensaries to use third-party distributors proved troublesome when dispensaries sold out of product within 48 hours after legal recreational cannabis sales commenced in the state. As more distribution channels and points of contact are established, we believe that opportunities for third-party distribution services companies will increase.

In certain legalized international markets, such as Germany and Uruguay, cannabis products are sold primarily through existing pharmacy networks (Argentina plans to do the same). While cannabis-derived pharmaceuticals may ultimately be distributed the same way in the United States, we believe the future domestic distribution channels of other types of cannabis products will closely resemble those of alcohol and tobacco products.

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Consumer Products

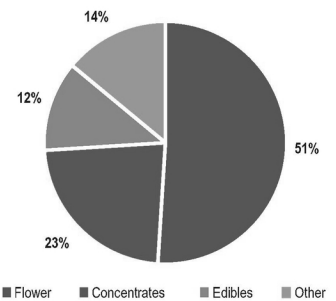
Cannabis may be consumed in many different forms, which fall into three broad categories: flower, concentrates and infused products. The most popular way to consume cannabis historically has been to smoke the flower or "bud" from the cannabis plant, which can be done using a pipe, a hand-rolled cigarette (often referred to as a "joint") or a water pipe (often referred to as a "bong"). Cannabis flower can also be vaporized and inhaled (using a product known as a "vaporizer"). The active compounds in cannabis can be extracted and concentrated into oil or waxlike substances known as concentrates. Concentrates, in turn, can either be vaporized and inhaled or infused into products known as "infused products." Infused products may be applied topically, such as lotions and creams, or consumed orally, such as food and drinks (known as "edibles"), capsules, pills and tinctures.

When smoke or vapor from heated flower or a concentrate is inhaled, the active compounds travel directly to the central nervous system and the physiological effects typically begin within one to five minutes. When infused products are consumed orally, the active compounds are digested in the stomach and metabolized by the liver before taking effect, typically in one to two hours. Compared to inhaled products, infused products deliver a smaller relative amount of cannabinoids to the bloodstream, but they produce longer-lasting effects.

Innovative companies continue to expand the universe of cannabis products, developing brands with packaging that increasingly emphasizes education about the product's effects and appeals to mainstream consumers. Cannabis flower is currently the most widely sold form of cannabis, but concentrates and infused products are gaining in popularity.

The following chart shows the combined relative sales by product category for Colorado, Oregon and Washington (three states with relatively mature recreational and medical cannabis markets) for the three months ended September 30, 2017.

Product Sales by Category: Q3 2017



Source: BDS Analytics

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Cannabis Flower

Cannabis flower, or "bud," is the most popular product among cannabis consumers. Cannabis flower is usually green (although some varieties have a purple or orange hue), slightly sticky to the touch and spongy in density. The flower has a strong, pungent aroma owing primarily to the trichomes on the flowers, which contain the highest concentrations of cannabinoids and terpenes of any part of the plant.

Branded Cannabis Flower

There are thousands of different cannabis varieties, each with its own cannabinoid and terpene profile and corresponding aroma, flavor and potency. Leading cultivators are recognized each year in contests and ceremonies for their indica, sativa and hybrid varieties. Award-winning varieties—which are often given unique identifying names—frequently become the most in demand by consumers. Popular varieties today include "Blue Dream," "Gelato," "OG Kush," "Pineapple Express" and "Sour Diesel."

The flower of a typical cannabis variety produced for human consumption contains approximately 15% to 30% THC, approximately 0.1% to 1% CBD and nominal levels of other cannabinoids. Due to advancements in cultivation techniques, THC levels in cannabis flower available today are generally much higher than in the past.

Concentrates

Cannabis can be processed into a variety of concentrates, many of which are sold as finished products for smoking or vaporizing and some of which can be infused into other products, such as edibles and topicals. Concentrates include CO_2 oil, butane hash oil or "BHO," shatter, wax, live resin, budder, kief, ice water hash and rosin.

Concentrates are quickly becoming popular for a host of reasons. Some believe vaporizing or ingesting concentrates are healthier methods of cannabis consumption than smoking plant material. Extracting cannabinoids from the cannabis plant produces higher-potency dosing (THC content can exceed 80% in concentrates), enables custom formulations and flavor profiles, and facilitates consumption that is more convenient and discreet than smoking. The concentration of specific cannabinoids varies

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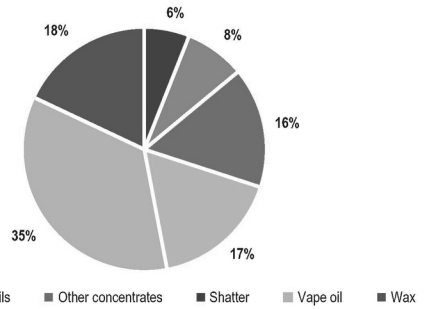
across cannabis varieties and even across flowers from the same plant, which limits the accuracy of laboratory tests conducted on a sample of plant material. Cannabis concentrates, however, are generally homogeneous and their active elements can be more precisely measured and reported so as to facilitate standardization of products and accurate dosing by consumers.

The following chart shows the combined relative sales by category of concentrates for Colorado, Oregon and Washington for the three months ended September 30, 2017.

Concentrates Sales by Category: Q3 2017



Source: BDS Analytics

Concentrates are prepared with extraction techniques that fall into two general categories, solvent-based extraction and solvent-free extraction. Solvent-based extraction techniques include the use of hydrocarbon, carbon dioxide (CO_2) or ethanol solutions to chemically isolate cannabinoids and other active compounds. Solvent-based extraction can be performed relatively quickly and can produce high yields and customized formulations, but requires the use of expensive equipment and skilled labor and also may leave residual solvents in the resulting concentrate. Solvent-free techniques include the use of filters, ice water or heat to physically separate parts of the cannabis plant with high cannabinoid concentrations. Generally, solvent-free extraction is inexpensive and can be performed without specialized equipment, but it is also slow and labor-intensive and it typically results in low yields.

Hydrocarbon Extraction

Hydrocarbon extraction is a process whereby a hydrocarbon solvent (typically butane or propane) chemically extracts cannabinoids, terpenes and other compounds from cannabis plant matter. The solvent is then purged using heat and pressure, leaving a concentrated form of the extracted compounds. Because hydrocarbon extraction involves a risk of explosion and usually leaves behind residual solvents, regulations are becoming more restrictive in specifying where and how the process can occur and prescribing acceptable levels of residual solvents in the resulting products. Concentrates prepared through hydrocarbon extraction—including BHO, shatter and wax—are popular with some consumers because hydrocarbon extraction generally preserves terpenes and the source plant's aroma and flavor.

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CO_2 Extraction

CO_2 extraction is a process whereby cannabis is introduced into a system of supercritical CO_2 (CO_2 at a pressure and temperature at which it exhibits properties of both a gas and a liquid). Cannabinoids and other compounds dissolve in the supercritical CO_2; pressure is released, and the CO_2 then evaporates, leaving a concentrated form of the dissolved compounds. CO_2 extraction is considered a relatively safe and clean extraction process because CO_2 is nonvolatile, CO_2 concentrates are generally free of residual solvents and CO_2 extraction kills mold and bacteria. CO_2 extraction is commonly used to produce viscous CO_2 oil for vaporizer cartridges and low-terpene concentrates for infused products.

Ethanol Extraction

Ethanol extraction is a method used in a number of industries to extract essential oils and food flavorings from plants. When used to produce cannabis concentrates, the process involves soaking cannabis plant material in ethanol, which separates cannabinoids, terpenes and other compounds from the plant matter. The solution is then heated until the ethanol is purged to acceptable levels. Ethanol is generally much safer to use for extraction than hydrocarbons and is particularly useful for creating concentrates with "whole-plant" compound profiles that mirror the source plant. Unfortunately, ethanol also extracts certain plant compounds—particularly chlorophyll—that have undesirable aromas and flavors.

Solvent-Free Extraction

Most solvent-free extraction techniques are inexpensive and do not require special training or equipment, but they also tend to produce low yields. Kief, ice water hash and rosin are examples of concentrates produced with solvent-free methods. Kief is a collection of trichomes that are separated from cannabis flower by sifting the flower with specialized filtering screens. Ice water hash is a collection of trichomes produced by stirring cannabis in ice water, filtering the mixture through a sequence of increasingly fine screens, removing the trichome collection from the finest screens and allowing it to dry. Rosin is created by heating and pressing cannabis plant material between parchment paper and collecting the concentrate that oozes onto the paper.

Oil Concentrate (Cartridge)

BHO Wax

Rosin

Cannabis Concentrate Products

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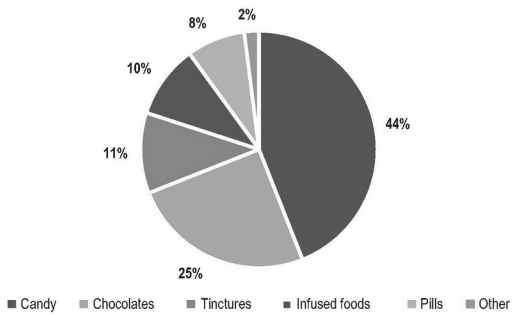
Infused Products

Infused products are ingestible products that have been infused with cannabinoids and other active compounds from the cannabis plant. There are two general categories of infused products: those consumed orally, such as foods and beverages (known as "edibles"), capsules, pills and tinctures; and those applied topically, such as lotions, balms and creams. Infused products may either be infused with concentrates (that are prepared through one of the extraction techniques discussed previously) or prepared with other infused products, such as cannabis-infused butter (a concentrate prepared by heating cannabis in butter to release the active compounds, and then filtering out the plant material).

The following chart shows the combined relative sales by category of infused products for Colorado, Oregon and Washington for the three months ended September 30, 2017.

Infused Products Sales by Category: Q3 2017



Source: BDS Analytics

Edibles

Popular edibles include infused candies, chocolates and beverages. The active compounds in edibles are digested and metabolized by the liver before taking effect; typically, the time from ingesting to onset of an effect is one to two hours, but the effect lasts longer than that resulting from inhaling smoke or vapor. Edibles generally deliver body-focused effects, which may be preferred by consumers seeking pain relief.

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Edibles: Chocolate, sparkling water, mints, candies, brownies, gummies

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Capsules and Tinctures

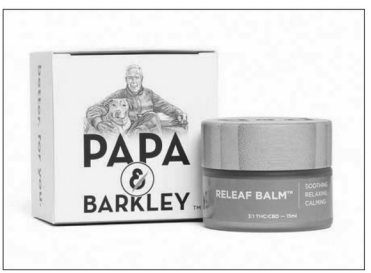
Capsules are cannabis concentrates with various cannabinoid profiles encapsulated in a gelatin coating for easy swallowing. Capsules are digested and metabolized like edibles; typically, the time from swallowing to onset of an effect is one to two hours. Tinctures are concentrates suspended in an alcohol solution and are usually placed under the tongue using a dropper; effects generally begin within 10 to 15 minutes. Capsules and tinctures are preferred over edibles by some consumers who believe they deliver more consistent dosing than edibles.

Capsules

Tincture

Topicals

Topicals are any form of product infused with cannabinoids and applied topically, such as lotions, balms, creams, lubricants and transdermal patches. Topicals often include noncannabis ingredients, such as essential oils or herbal extracts. They are commonly used for localized relief of muscle soreness and inflammation and for relief of headaches and cramping.



Topicals

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Vaporizers and Accessories

Smoking or vaporizing cannabis flower or concentrates is the most popular method of cannabis consumption, in part because the effects of inhaled cannabis smoke or vapor begin almost immediately. Accessories used to smoke cannabis include glass, wood or metal pipes; glass or plastic water pipes known as "bongs"; and cigarette papers used to roll "joints." A vaporizer is a device that heats cannabis flower or concentrate to a temperature at which its active compounds boil and can be inhaled as vapor. Vaporizers are increasing in popularity faster than any other cannabis-consumption device, in some measure because vaporizing is perceived by many as a healthier method of cannabis consumption than smoking. Distinguishing features of a vaporizer include whether it vaporizes flower or concentrate, the form of the heating mechanism, or "atomizer," power output, battery efficiency, durability, reusability (there are both refillable and disposable vaporizers) and design aesthetics. Hundreds of vaporizers are marketed, ranging from simple to complex, including handheld vaporizers that retail for $10 to $500 and tabletop vaporizers that retail for $100 to more than $1,000.

Vaporizers

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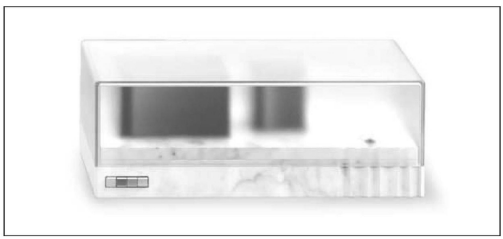
Cannabis Consumers Using Vaporizers

In addition to smoking and vaporizing devices, an increasing variety of other cannabis-related accessories are available, including personal storage and transportation products. Some of these products focus on safety or discretion, such as childproof containers and smell-proof bags. Other products are designed more for style, such as vaporizer pouches and tabletop storage containers intended as decor. The market for both safety-focused accessories and style pieces is expected to grow as laws and regulations increasingly impose requirements related to storage and transportation and as taboos regarding cannabis use wane.



Accessories

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Pharmaceuticals

Cannabinoid-based pharmaceuticals are drugs containing cannabinoids or cannabinoid-like compounds that are either derived from natural cannabis or chemically synthesized. A handful of such drugs have been approved for use to treat certain medical conditions both in the United States and elsewhere. Examples of cannabinoid-based pharmaceuticals that have been approved for use in various countries include Marinol, Syndros, Cesamet and Sativex. Another cannabinoid-based pharmaceutical, Epidiolex, has not yet been approved but could become the first medicine derived from the cannabis plant to be approved by the U.S. Food and Drug Administration (FDA).

The drug Marinol is comprised of dronabinol (a synthetic THC) encapsulated with sesame oil in a soft gelatin capsule. Marinol has been approved by the FDA for use in treating (i) anorexia associated with weight loss in patients with AIDS and (ii) nausea and vomiting associated with cancer chemotherapy. Marinol is a Schedule III controlled substance under the U.S. Controlled Substances Act (CSA). Syndros is a drug that contains dronabinol in a liquid solution; it has been approved by the FDA for use by adults in treating the same symptoms for which Marinol has been approved. Syndros is a Schedule II controlled substance under the CSA. Forms of dronabinol have been approved for use in jurisdictions outside the United States, including Canada and Denmark.

Cesamet is a drug made up of encapsulated nabilone, a synthetic cannabinoid similar to THC. Cesamet has been approved by the FDA for use in treating nausea and vomiting associated with cancer chemotherapy. Cesamet is a Schedule II controlled substance under the CSA. Forms of nabilone have been approved for use in jurisdictions outside the United States, including Australia, Canada, Mexico and the United Kingdom.

Sativex is a mouth spray used for treatment of spasticity caused by multiple sclerosis; it includes THC and CBD derived from cannabis. Sativex was first approved for use in the United Kingdom in 2010, and has been approved for use in at least 30 countries (but not in the United States). Sativex is manufactured by U.K.-based GW Pharmaceuticals and is generally recognized as the first prescription drug in the world to include plant-based cannabinoids. The cannabis extract used in Sativex is a Schedule I controlled substance under the CSA.

Pharmaceuticals

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Epidiolex is an oral formulation of cannabis-derived cannabidiol, or CBD, intended to treat severe forms of childhood epilepsy. Epidiolex has not been approved for use in any country, but the drug's manufacturer, GW Pharmaceuticals, recently submitted a New Drug Application for Epidiolex to the FDA, which is an important step toward FDA approval in the United States. If approved by the FDA, Epidiolex would be the first FDA-approved prescription drug derived from cannabis. The cannabis extract used in Epidiolex is considered to be "marijuana," a Schedule I controlled substance under the CSA. Therefore, even if Epidiolex were approved by the FDA, Epidiolex would need to be rescheduled and excepted from the "marijuana" definition before it could be lawfully prescribed in the United States.

Consumer Products Opportunities

We believe opportunities in this segment include:

Consumer Product Brands Focused on Health and Wellness. We believe there is a substantial opportunity for companies to develop leading brands of cannabis-based health and wellness products. Marketing a broad line of such products under a common brand should provide a competitive advantage.

Direct E-Commerce Distribution. The e-commerce market for cannabis products is expected to expand and consumer awareness of product options is expected to increase, enabling more consumer product companies to sell their products directly to consumers through online purchasing platforms rather than selling only through wholesale.

Advanced Vaporizer Functionality. Vaporizer technology has advanced rapidly in recent years, a trend we expect to continue. In the future, vaporizers may be able to identify the composition and potency of the product being consumed, monitor consumption and dosing of the product, or reorder the product at the push of a button.

Specialty Formulations. We believe that scientific knowledge about the relationships between specific cannabinoid formulations and targeted health conditions will continue to improve, and markets will be created for highly specialized products developed to relieve particular symptoms.

FDA Approval and CSA Rescheduling. If Epidiolex is approved by the FDA and rescheduled under the CSA to permit lawful prescriptions to be written within the United States, it would be the first federally legal cannabis-derived drug in the country. Such a precedent could result in a significant increase in the use of cannabis by consumers as medicine, and it could also be followed by similar approvals in the United States for other cannabis-derived drugs.

Consumer Products Challenges

Challenges in this segment include:

Marketing and Customer Loyalty. As more products become available to consumers through dispensaries and e-commerce solutions, consumer product providers may need large marketing budgets to drive product awareness and customer loyalty.

Wholesale and Retail Distribution. Providers of cannabis products may struggle to develop wholesale and retail distribution relationships because of the breadth of products being marketed. Providers

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should seek to develop strong relationships with a large number of dispensary operators, directly or through a distributor, in order to obtain preferred shelf placement.

FDA Approval: Risk, Time and Expense. Assuming that cannabis-derived drugs will eventually be permitted to be sold in the United States, considerable time and expense will be spent by manufacturers to obtain FDA approval and bring approved products to market. There is no guarantee that investments of significant time and money into research, development and clinical trials will result in FDA approval of cannabis products.

Product Liability Claims. Companies may be exposed to various product liability claims associated with human consumption of cannabis products. Consumer claims that products cause injury or illness, include inadequate instructions for use or warnings concerning health risks, or cause possible side effects or interactions with other substances may be expensive to defend or settle.

Consumer Products Outlook

We believe that there are significant market opportunities for well-recognized brands to develop in various categories of consumer products, particularly in flower, concentrates, edibles and vaporizers. In addition, we believe that there are opportunities for companies targeting niche applications for the pet industry. Many companies will struggle to create strong brands because the consumer products segment generally has low barriers to entry and is currently oversaturated. As the cannabis industry and legal environment develop, we expect that national brands will emerge from companies with large marketing budgets, operational scale and reputations for quality, and that large alcohol, tobacco, consumer products and pharmaceutical companies will play a larger role in this segment.

Business Solutions

The business solutions segment of the cannabis industry comprises business software, such as seed-to-sale tracking solutions, and business services, such as legal, compliance, operational consulting and financial services. Software and services providers in this segment generally do not "touch the plant" and do not require cannabis-related permits or licenses.

Business Software

Software solutions tailored to the cannabis industry are present throughout the cannabis supply chain. Although solutions from other manufacturing and retail industries are used in the cannabis industry, industry-specific solutions are emerging as some of the most popular. Some companies provide point solutions that target bottlenecks in the supply chain, while others offer broad platforms that consolidate multiple capabilities. Industry-specific software applications exist and are being developed in the following areas: cultivation cycle management; concentrate production management; infused product manufacturing management; product testing and compliance; retail operations (including point-of-sale, inventory, tax reporting and compliance solutions); mobile, e-commerce and delivery applications; supply-chain management; customer relationship management; and management reporting and business intelligence.

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Cannabis Software Platforms

Business Services

The business services market includes (i) operational consulting, including facility planning, construction and security; (ii) financial services, including accounting and payment-processing services; (iii) legal, compliance and other professional advisory services; (iv) temporary and full-time staffing services; (v) real estate services; and (vi) industry events and conferences. These services are typically provided by professional services firms; some of these firms focus solely on the cannabis industry while others serve a broad range of industries.

Business Solutions Opportunities

We believe opportunities in this segment include:

Industry-specific Solutions. As the cannabis industry emerges, there will be a significant market opportunity for providers of solutions tailored for the industry. Point-solution providers may be acquisition targets if larger companies enter the market in the future.

Integrated Platforms. We believe that integrated "seed-to-sale" solutions will be ideally positioned.

"Big Data" Analytics. We believe that there is an attractive opportunity to develop and license industry datasets. Such datasets should provide strategic advantages to organizations that establish substantial reach early and may also be licensed more broadly to enhance targeting, services, cross-sales and product development.

Business Solutions Challenges

Challenges in this segment include:

Development and Deployment Risk. Due to the time and investment required to develop software products and the emerging nature of the cannabis industry, there is a risk that developed applications may not be effective or widely adopted. In addition, certain segments of the cannabis industry are more mature than others; this disparity may present challenges in developing solutions that support cohesive and scalable business models.

Low Barriers to Entry. Numerous sectors of the business services market are becoming increasingly crowded.

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Business Solutions Outlook

The cannabis industry presents a significant market opportunity for software and services providers because of the large number of potential new clients and the need for industry-specific solutions. In particular, we believe that substantial opportunities exist for providers of industry-specific, platform and "big data" solutions. We also believe that financial, legal and compliance service providers that have developed knowledge of the cannabis industry are well positioned for growth. Similar to the production segment, large software and services companies serving traditional industries have been reluctant to enter the cannabis market due to concerns over the regulatory landscape. While this dynamic has created a short-term opportunity for some smaller companies, as the regulatory environment becomes clearer we expect competition in this segment to increase significantly as large companies enter the market.

Digital Media

The digital media segment of the cannabis industry includes digital content, networking and directory platforms. Digital media providers do not "touch the plant" and generally do not need a cannabis-related license or permit. Digital media focused on cannabis is a niche sector within the broader digital media market. Companies in this segment compete for viewers and subscribers and generally draw revenue from content licensing fees, service fees, advertisement fees and subscription fees. They provide a broad range of content and networking tools, including news related to the cannabis industry and legalization efforts, humor and entertainment focused on the cannabis-user demographic, traditional media and branding services, social networking tools that allow users to share pictures and information related to their cannabis activities, and business directory tools that connect industry participants.

Cannabis Digital Media

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Digital Media Opportunities

We believe opportunities in this segment include:

Premium Content. We believe that opportunities exist to establish industry-specific publications and media platforms for both the business-to-business and business-to-consumer markets that are viewed as the legitimate voices of the industry.

Mobile Applications. E-commerce and digital media applications are well positioned for mobile deployment within the cannabis industry. We expect a proliferation of mobile applications, even in the early stages of the industry.

Enabling Technology. Continued development of core and shared technology platforms remains an opportunity for digital media companies seeking to provide a better user experience. Technologies that provide targeted experiences should enable digital media companies to realize greater returns on investments.

Digital Media Challenges

Challenges in this segment include:

Limited Number of Advertisers. Broad, general-market advertisers are not commonly participating in the cannabis industry due to concerns about legal compliance and mass-market perception. As a result, companies are currently competing for limited advertising revenue targeted at the cannabis-user demographic.

Venues. Established digital media companies—such as Facebook, Google, Twitter and Yelp—limit the activities of cannabis-focused media companies on their sites in accordance with company policies. This creates opportunities for niche publishers in the near term, but we believe that, ultimately, large media companies will view cannabis as a mainstream industry.

Digital Media Outlook

The opportunity for cannabis-oriented digital media is substantial. We believe that companies with well-executed strategies will emerge as the recognized voices of the industry and will be relied on by consumers for a wealth of information from product recommendations to industry news. As regulatory constraints relax, we expect the currently disparate and fragmented digital media services segment to consolidate into integrated publishing, mobile and e-commerce offerings. However, as stated previously, we believe that digital media companies focused solely on the cannabis industry will eventually face considerable competition from—but may be logical acquisition targets for—traditional media companies.

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CHAPTER IV
U.S. Legal Landscape

The legal landscape for the cannabis industry in the United States continues to be characterized by conflict between federal prohibition and the steady advance of state legalization. According to federal policy, Americans can access tobacco, alcohol and prescription drug products that kill thousands each year, but they cannot access cannabis because it is a dangerous drug with no currently accepted medical application in the United States (notwithstanding the federal government holds a U.S. patent for methods of treating diseases with cannabinoids). Meanwhile, 46 U.S. states permit some use of cannabis products as medicine by adults or children, and 8 of those states have laws that regulate cannabis like alcohol.

The U.S cannabis industry has proven adept at navigating this federal-state conflict and is experiencing rapid growth despite it. Moreover, we believe that federal policy will move (and may already be moving) in a new direction—one that would facilitate federal approval of cannabis-derived drugs and ultimately, we believe, give rise to a regulatory and political environment in which the U.S. Congress could fully legalize both medical and recreational cannabis.

In this chapter, we summarize three categories of state cannabis laws and examine certain federal laws and policies that impact the cannabis industry, including federal laws related to drug and food regulation, banking and finance, and intellectual property. Finally, we offer our views about how the cannabis legalization trend and related developments likely lead to a federally legal U.S. cannabis industry.

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U.S. State Law

Of the 51 jurisdictions comprising the 50 U.S. states and the District of Columbia, 47 have enacted at least one law that permits the manufacturing, distribution, dispensing or possession of cannabis or concentrates. These laws fall into three general categories:

- 29 U.S. states and the District of Columbia have enacted medical cannabis laws that permit the production and possession of cannabis or concentrates for use in treating a broad range of qualifying medical conditions.
- 19 U.S. states have enacted narrow CBD/limited laws that permit possession of small amounts of low-THC/high-CBD cannabis concentrates for use in treating a few serious medical conditions—in particular, severe forms of childhood epilepsy.
- 8 U.S. states have enacted recreational laws that permit the commercial production and sale of cannabis to adults for recreational and other uses.

Some states have passed more than one of these laws, and some state laws do not fall clearly into any one of these categories. Florida and Delaware have both medical cannabis and CBD/limited laws. Every state that has enacted a recreational law has also passed a medical cannabis law. A District of Columbia law that permits adults to grow and consume cannabis is often cited as a recreational law; however, we do not characterize it as such because it does not permit the commercial production and sale of cannabis. The following map of the United States shows states with medical cannabis laws, CBD/limited laws or recreational laws (a state with more than one of these laws is represented on the map by its most permissive law).

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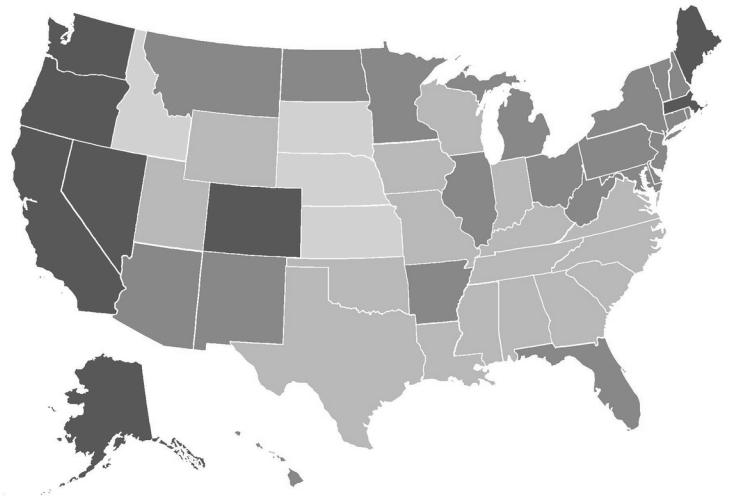
U.S. State Cannabis Laws (January 2018)



Recreational Law

Alaska
California
Colorado
Maine
Massachusetts
Nevada
Oregon
Washington

No Recreational, Medical Cannabis or CBD/Limited Law

Idaho
Kansas
Nebraska
South Dakota

Medical Cannabis Law

Arizona
Arkansas
Connecticut
Delaware
Florida
Hawaii
Illinois
Maryland
Michigan
Minnesota
Montana
New Hampshire
New Jersey
New Mexico
New York
North Dakota
Ohio
Pennsylvania
Rhode Island
West Virginia
Vermont

CBD/Limited Law

Alabama
Georgia
Indiana
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Mississippi
Missouri
North Carolina
Oklahoma
South Carolina
Tennessee
Texas
Utah
Virginia
Wisconsin
Wyoming

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An exhaustive review of each jurisdiction's laws is beyond the scope of this report; instead we discuss issues commonly addressed by each category of cannabis laws.

Medical Cannabis Laws

In 1996, California enacted the first medical cannabis law of any U.S. state, followed in the late 1990s by Alaska, Maine, Oregon and Washington. Since the beginning of 2000, 24 more states and the District of Columbia have passed medical cannabis laws that permit the production and possession of cannabis or concentrates for use in treating a broad range of qualifying medical conditions.

A state medical cannabis law permits a patient, with a doctor's recommendation, to use cannabis to treat any qualifying medical condition designated by the law. It is illegal for a doctor to "prescribe" a Schedule I controlled substance under the U.S. Controlled Substances Act (CSA), so medical cannabis laws typically require a doctor's "recommendation" rather than a prescription. Some medical cannabis laws require a written recommendation, while others allow an oral recommendation. States may impose a variety of other requirements or restrictions on a doctor or patient relating to medical cannabis access, such as patient registration with a state medical cannabis registry, submission of a patient's fingerprints or prohibition of use by convicted felons or certain government employees (for example, firefighters).

The number and nature of qualifying conditions included in medical cannabis laws vary widely. Some laws designate relatively few or highly specific medical conditions, while other laws include many conditions or highly subjective conditions, such as chronic pain. Some medical cannabis laws also give doctors discretion to recommend cannabis for conditions not specifically designated. In aggregate, across all medical cannabis laws in the United States, cannabis is legally recognized as a form of therapy or medicine for more than 50 qualifying conditions. Common qualifying conditions include Alzheimer's disease, amyotrophic lateral sclerosis (ALS), anorexia, arthritis, cachexia, cancer, chronic pain, Crohn's disease, epilepsy, glaucoma, hepatitis C, HIV/AIDS, inflammation, migraine, multiple sclerosis (MS), nausea, nervous system degeneration, Parkinson's disease, post-traumatic stress disorder (PTSD) and spasms.

Some medical cannabis laws restrict the form of cannabis or the means of consumption. For example, Pennsylvania's medical cannabis law, enacted in 2016, prohibits smoking or vaporizing cannabis flower, prohibits the incorporation of cannabis into foods by anyone other than the patient or the patient's caregiver, and authorizes cannabis to be dispensed only in certain concentrated forms.

Medical cannabis laws generally permit cannabis cultivation and distribution by a state-licensed cultivator or dispensary, by a qualified patient or by a designated caregiver of the patient. A qualified patient or the patient's designated caregiver generally may grow only an amount of cannabis deemed sufficient for the patient's personal use. Some medical cannabis laws permit patients or caregivers to grow cannabis only if they cannot practically obtain it by other means. For example, certain states permit patients to grow cannabis only if they reside more than a specified distance from the nearest licensed dispensary. Some states allow qualified patients and designated caregivers to collectively or cooperatively aggregate their cultivation activities.

State-licensed cultivators and dispensaries must satisfy various licensing requirements related to health, safety and security. In states that permit or require vertical integration, a licensee may be part

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of a single cultivation and dispensing enterprise. In other states, a licensed cultivator may be permitted to sell to unaffiliated licensed dispensaries or delivery services, which then retail medical cannabis to patients.

Each state has its own rules about whether medical cannabis activities may be engaged in for profit. In states where caregivers and qualified patients collectively or cooperatively aggregate their cultivation and distribution efforts, participants generally are allowed to charge amounts necessary to recover the reasonable costs associated with those activities but may not operate for profit. In states that allow licensed cannabis activities, such as cultivation and dispensing, the organizations engaged in those activities generally may seek to earn a profit.

CBD/Limited Laws

From 2014 through 2017, a total of 19 U.S. states enacted CBD/limited laws that generally permit possession of small amounts of low-THC/high-CBD cannabis concentrates for use in treating a few serious medical conditions. Most of these laws limit qualifying medical conditions to severe forms of epilepsy or seizure disorders, but some laws designate a moderately broader set of conditions.

Most CBD/limited laws allow CBD use by children. Many of these laws were enacted in the context of high-profile stories about CBD treatments for children with severe seizure disorders, and the laws have been given names like Carly's Law (Alabama), Haleigh's Hope Act (Georgia) and Julian's Law (South Carolina). Charlotte's Web is a low-THC/high-CBD cannabis strain named for Charlotte Figi, a young Colorado girl whose parents treat her seizure condition with CBD oil. Her case was featured in Dr. Sanjay Gupta's popular CNN special, *Weed*.

In general, each CBD/limited law establishes a narrow legal framework for use of low-THC/high-CBD cannabis concentrates. Certain CBD/limited laws designate only one or several producers of permitted cannabis concentrates; in some cases, these producers include a state university or research institution. Other CBD/limited laws establish no legal framework for the production or distribution of permitted products and merely provide a narrow affirmative defense for state-law cannabis possession and use charges.

Recreational Laws

In 2012, Colorado and Washington voters passed the first laws in the United States (and the world) to permit the commercial production and sale of cannabis to adults for recreational and other uses. Alaska and Oregon passed similar recreational laws in 2014. And in the November 2016 elections, four more states—California, Maine, Massachusetts and Nevada—passed recreational laws. (Of the five recreational laws included on November 2016 ballots, only Arizona's law did not receive voter approval.)

State recreational laws permit adults aged 21 years or older to legally purchase and use cannabis sold by state-licensed commercial businesses. There are no state residency requirements for adult consumers, and out-of-state visitors with valid proof of age may legally purchase cannabis, giving rise to "cannabis tourism" in states with extensive dispensary networks like Colorado, Oregon and Washington. Cannabis typically may not be consumed in public spaces or private establishments open to the public, such as parks and restaurants. Recreational laws also generally permit adults to cultivate a

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limited number of cannabis plants (typically, 4 to 6) for personal use. (Washington is an exception, however, and makes personal cultivation a felony unless it is done by a person registered in the state's medical marijuana database.) Unlike state medical cannabis laws, which may restrict the form of cannabis products available, recreational laws permit production and sale of most common forms of cannabis products, including a wide variety of flower, concentrates and infused products.

State recreational laws designate state agencies to issue commercial cannabis licenses and regulate participants in the cannabis supply chain. Some of these agencies are newly established specifically to regulate cannabis, such as California's Bureau of Cannabis Control (BCC) or Massachusetts's Cannabis Control Commission. Others are existing state agencies (and typically oversee tax or alcohol matters), such as Nevada's Department of Taxation or Oregon's Liquor Control Commission. These agencies also may regulate state medical cannabis industries, as do Colorado's Marijuana Enforcement Division, Washington's Liquor and Cannabis Board and California's BCC.

State regulatory agencies issue separate licenses for different types of commercial cannabis activities. Common categories of licenses include cultivation, production, manufacturing, distribution, transportation, laboratory testing and retail. A state may further provide for multiple types of licenses within a category. For example, California's recreational law provides for 12 types of cultivation licenses, which vary according to factors such as the size of a cultivation facility and indoor or outdoor cultivation. Most states allow companies to hold licenses in multiple categories, thereby allowing vertically integrated cultivation, manufacturing and retail businesses. Washington is an exception—in most cases, a business is prohibited from holding licenses across categories. Even states that allow vertical integration typically prohibit the holder of a laboratory testing license from holding licenses in other categories.

State laws give significant power to counties and municipalities to impose zoning and permitting requirements that may severely restrict or prohibit cannabis activities. California requires a state-license applicant to demonstrate it has all permits, licenses and approvals required under local law, and many California cities and counties have effectively banned the recreational cannabis industry. Massachusetts allows towns that voted "No" on the state's recreational law to ban cannabis businesses through December 2019 and requires other towns that wish to prohibit cannabis businesses to do so through a local ballot initiative.

Each state has chosen to levy significant taxes on the recreational cannabis industry, and some state laws authorize local governments to levy additional cannabis-related taxes. Nevada imposes a 15% excise tax on cannabis wholesales by cultivators and a 10% excise tax on retail sales. Oregon and Massachusetts charge a state excise tax of 17% and 10.75%, respectively, and each state authorizes local governments to levy up to another 3%. Washington originally imposed a 25% excise tax on cannabis sales at each of three different points in the supply chain—grower to processor, processor to retailer and retailer to consumer—but now charges a single 37% tax on retail sales. California imposes a 15% excise tax. All state and local cannabis-specific excise taxes are in addition to normal state and local sales tax. Although the possibility of generating significant tax revenue is one reason state governments have embraced legal cannabis, some proponents of legalization argue that high tax rates will keep consumer prices high and discourage consumer transition to legalized markets.

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State governments continue to adjust recreational cannabis regulations in an effort to create favorable industry conditions and address health and public safety concerns. State-licensed recreational cannabis businesses must comply with a host of requirements related to security (such as video surveillance, alarm system requirements and owner/operator criminal background checks), product diversion (particularly seed-to-sale tracking requirements), product safety and quality (including product labeling requirements and potency and contaminant testing), and general business operations (such as restrictions on advertising and compliance with energy and environmental standards).

U.S. Federal Law

Current federal law effectively prohibits all cannabis use and all commercial cannabis activity in the United States. Producing, selling and possessing cannabis are federal crimes. No cannabis-derived drug has ever been federally approved for use in treating any medical condition. Otherwise legitimate business transactions conducted by cannabis companies—and their banks, for those who can access banking services—are legally suspect. Certain intellectual property and bankruptcy protections critical to many U.S. businesses are not available to cannabis companies. Cannabis companies pay federal income tax at effective rates significantly higher than other businesses.

Despite official prohibition, federal policies and laws recently passed by the U.S. Congress have carved out a limited space in which the state-legal cannabis industry has managed to thrive. Enforcement policies published by the U.S. Department of Justice (DOJ) have unofficially invited cannabis business to proceed if certain conditions are respected. The U.S. Department of the Treasury (DOT) established reporting policies that create room for banks to service the cannabis industry. Federal budget legislation has prevented allocated funds from being used to prosecute conduct that complies with state medical cannabis laws.

Recent developments indicate that the federal government may be pursuing policies and practices that create space for cannabis research and approval of cannabis-derived drugs. In particular, the U.S. Drug Enforcement Agency (DEA) adopted a new policy in 2016 designed to increase the number of DEA-registered cannabis cultivators (there has been only one such cultivator for nearly 50 years). And the U.S. Food and Drug Administration (FDA) is reviewing a New Drug Application (NDA) submitted in October 2017 for what could be the first ever cannabis-derived pharmaceutical approved by the federal government.

The following chart shows three general areas of federal law that impact the cannabis industry—food and drug regulation, banking and finance, and intellectual property—as well as specific laws and federal policies related to each of the areas discussed later in this chapter.

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Federal Laws and Policies Impacting the Cannabis Industry

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Controlled Substances Act

The Controlled Substances Act (CSA) is a federal law enacted in 1970 that places strict legal controls on the manufacture, distribution, dispensing and possession of any controlled substance listed on one of five schedules established by the CSA. The CSA is enforced primarily by the U.S. Drug Enforcement Administration, an agency of the U.S. Department of Justice. A controlled substance may be manufactured, distributed or dispensed in accordance with the CSA only by a person properly registered

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with the DEA. Any person that manufactures, distributes, dispenses or otherwise possesses a controlled substance in violation of the CSA is subject to civil and criminal penalties.

The CSA schedules are numbered I to V. Schedule I substances are subject to the strictest controls, and Schedule V substances are subject to the least restrictive controls. A controlled substance is listed on a particular schedule according to four factors:

(i) The substance's potential for abuse.

(ii) Whether the substance has a currently accepted medical use in treatment in the United States.

(iii) Whether the substance is accepted as safe to use under medical supervision.

(iv) The degree of physical and psychological dependence that may result from abuse of the substance.

Upon enactment in 1970, the CSA assigned each controlled substance to a specific schedule. The U.S. Congress may legislate a controlled substance's addition to or removal from a CSA schedule. The CSA also provides a regulatory framework for a substance to be added to or removed from a schedule; such change generally involves a recommendation by the U.S. Department of Health and Human Services (DHHS) and concurrence with that recommendation by the DEA. The U.S. Food and Drug Administration, an agency of the DHHS, is charged with making certain safety-related determinations used in DHHS scheduling recommendations.

Schedule I controlled substances are those found by the U.S. Congress or the DEA and the DHHS to have a high potential for abuse, to have no currently accepted medical use in treatment in the United States and to have a lack of accepted safety for use under medical supervision. Current Schedule I substances include marijuana, THC, heroin, ecstasy, LSD and peyote. Unlike Schedule II through Schedule V controlled substances, which can be prescribed by a doctor, the CSA does not allow prescriptions to be written for Schedule I controlled substances.

Marijuana

Marijuana has been a Schedule I controlled substance since enactment of the CSA in 1970. The CSA defines "marijuana" as

> all parts of the plant *Cannabis sativa L.*, whether growing or not; the seeds thereof; the resin extracted from any part of such plant; and every compound, manufacture, salt, derivative, mixture, or preparation of such plant, its seeds or resin. Such term does not include the mature stalks of such plant, fiber produced from such stalks, oil or cake made from the seeds of such plant, any other compound, manufacture, salt, derivative, mixture, or preparation of such mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of such plant which is incapable of germination.

The parts and derivatives of the cannabis plant that are excluded from the CSA definition of marijuana have industrial uses and generally contain little or no THC. Non-marijuana cannabis products—commonly known as hemp products—including rope, clothing, animal feed and soap, are not subject to control under the CSA. The CSA does not restrict such non-marijuana products

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from being imported into the United States. However, because the production of such non-marijuana products ordinarily involves possession of the entire cannabis plant, including parts deemed marijuana under the CSA, the CSA effectively prohibits such production in the United States without DEA registration.

Tetrahydrocannabinol (THC)

In addition to and separate from marijuana's listing on Schedule I, tetrahydrocannabinol[1] (THC) has been listed on Schedule I since the CSA's enactment in 1970. From 1970 until 2003, DEA regulations defined THC for purposes of its separate Schedule I listing as including only "synthetic equivalents" of the THC found in the cannabis plant. In 2003, the DEA purportedly amended this regulatory definition of THC to include both synthetic equivalents of THC and THC occurring naturally in the cannabis plant. In its 2004 holding in *Hemp Industries Association v. DEA,* the U.S. Court of Appeals for the Ninth Circuit enjoined DEA enforcement of this purported amendment and held that the THC listed separately from marijuana on Schedule I includes only synthetic THC and that any THC occurring naturally within the cannabis plant is controlled under the CSA only if it falls within the CSA definition of marijuana.

Penalties for CSA Violations

Federal penalties for violating CSA provisions regarding marijuana or THC include fines and imprisonment. CSA violations may also result in federal seizure of cash and other assets related to the violations. CSA penalties may apply to cannabis businesses that violate the CSA and also to individuals who own or operate such businesses based on attempt, accomplice, conspiracy and criminal enterprise provisions included in the CSA.

New DEA Registration Policy

For nearly 50 years, only one cannabis cultivation site in the United States has operated with the required DEA registration. The site is operated by the University of Mississippi under a contract with the National Institute on Drug Abuse to supply the country's entire stock of federally legal cannabis, which is used exclusively for research. In August 2016, the DEA announced a new policy designed to increase the number of DEA-registered cannabis cultivators and permit-registered cultivators to grow cannabis for privately funded commercial drug development projects. The DEA announcement acknowledged the increasing interest in conducting cannabis research related to commercial pursuits, and indicated that the best way to satisfy the increased demand was to increase the number of DEA-registered cultivators. The DEA has since accepted at least 25 applications for registration but has not issued any new registrations.

[1]CSA Schedule I uses the plural form "tetrahydrocannabinols" to describe a category of substances that includes chemical derivatives and isomers. This report adopts the more commonly used singular form, "tetrahydrocannabinol."

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U.S. Department of Justice: The Cole Memo

A memorandum published by the DOJ in August 2013 (Cole Memo) provides guidance to DOJ attorneys and federal law enforcement about prosecuting cannabis-related federal offenses. The Cole Memo asserts that marijuana is a dangerous drug, that illegal distribution of marijuana is a serious crime which provides revenue to criminal enterprises and that the DOJ is committed to enforcing marijuana-related violations of federal law. The Cole Memo also notes, however, that the DOJ is committed to using its limited investigative and prosecutorial resources to address the most significant threats in the most effective, consistent and rational way.

The Cole Memo guides DOJ attorneys and federal law enforcement to focus on the following eight enforcement priorities when considering prosecutions for marijuana-related CSA violations (and also, according to a Cole Memo update issued in February 2014, when considering prosecutions for marijuana-related violations of the federal money laundering statute, the unlicensed money transmitter statute and the Bank Secrecy Act):

1. Preventing distribution of marijuana to minors.
2. Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels.
3. Preventing the diversion of marijuana from states where it is legal under state law in some form to other states.
4. Preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity.
5. Preventing violence and the use of firearms in the cultivation and distribution of marijuana.
6. Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use.
7. Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands.
8. Preventing marijuana possession or use on federal property.

The Cole Memo notes that whether marijuana-related conduct implicates any of these enforcement priorities should be a primary question in considering prosecution and that in states with legalized marijuana and effective regulatory systems, conduct in compliance with state law is less likely to threaten these priorities.

The Cole Memo has provided some comfort to those operating state-legal cannabis businesses that do not interfere with the enumerated enforcement priorities. However, the Cole Memo merely reflects internal guidance within the DOJ and does not create a legal defense for any violation of federal law.

During the January 2017 Senate confirmation hearings for current U.S. Attorney General Jeff Sessions, in a discussion about the enforcement priorities outlined in the Cole Memo, Mr. Sessions acknowledged the "problem of resources for the federal government" and stated that he thought some of the enforcement priorities were "truly valuable in evaluating cases," but he also stated that he would not commit to never enforcing federal law.

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Rohrabacher-Farr Amendment

The Rohrabacher-Farr amendment, first passed by the U.S. Congress and signed into law by President Obama in 2014, prohibits the DOJ from using federal funds to prevent a state from "implementing" state laws that authorize the use, distribution, possession or cultivation of medical marijuana.

Following the amendment's initial 2014 enactment, the DOJ indicated that it did not plan to arrest state regulators for "implementing" a state's medical marijuana laws but would continue to prosecute individuals involved in state-law compliant medical marijuana activity because, in the DOJ's view, the amendment did not apply to prosecutions against individuals.

The DOJ's interpretation of the Rohrabacher-Farr amendment was rejected by a Ninth Circuit District Court in its 2015 ruling in *United States v. Marin Alliance for Medical Marijuana,* and again by the Ninth Circuit Court of Appeals in its 2016 ruling in *United States v. McIntosh.* The Ninth Circuit Court of Appeals held the Rohrabacher-Farr amendment prohibits DOJ from spending funds subject to the amendment on the prosecution of individuals who fully comply with state medical marijuana laws. The court noted a state's "implementation" of medical marijuana laws necessarily involves "giving practical effect" to those laws, and that DOJ prosecution of individuals complying with those laws prevents the state from giving the laws practical effect.

The Rohrabacher-Farr amendment generally applies only to DOJ funds made available pursuant to the federal budget legislation in which the amendment is included, and therefore must be renewed periodically with budget legislation to remain effective. The Rohrabacher-Farr amendment was recently renewed in December 2017 as part of an emergency aid package that remains effective until mid-January 2018. (With the retirement of Representative Samuel Farr from the U.S. Congress in 2016, the Rohrabacher-Farr amendment is now also referred to as the Rohrabacher-Blumenauer amendment; we use this name elsewhere in this report.)

Agricultural Act of 2014

The Agricultural Act of 2014 (Farm Bill) authorizes institutions of higher education and state departments of agriculture to cultivate industrial hemp, CSA controls notwithstanding, if (i) the industrial hemp is cultivated for purposes of research conducted under an agricultural pilot program or other agricultural or academic research and (ii) the cultivation is allowed under the laws of the state in which such institution of higher education or state department of agriculture is located and such research occurs.

The Farm Bill defines "industrial hemp" as the cannabis plant and any part of such plant, whether growing or not, with a THC concentration of not more than 0.3 percent on a dry weight basis. Industrial hemp, like any cannabis plant, may comprise both marijuana (as defined in the CSA) and non-marijuana. But the Farm Bill creates an exception to CSA controls on marijuana, so cultivation in accordance with the Farm Bill of marijuana that qualifies as industrial hemp does not violate the CSA.

The following table summarizes the legal relationship between marijuana (as defined in the CSA) and industrial hemp (as defined in the Farm Bill).

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U.S. Legal Relationship between Marijuana and Industrial Hemp

	Marijuana	Non-Marijuana
	Cannabis plant and all parts and derivatives *except* non-marijuana	**Mature stalks; fiber made from mature stalks; oil or cake made from seeds; compounds, manufactures, salts, mixtures, preparations or derivatives of the foregoing parts and derivatives (*except* resin extracted from mature stalks); sterilized seeds**
Non-Industrial Hemp		
Cannabis plant and all parts and derivatives *except* industrial hemp	• Manufacture, distribution, dispensing and possession controlled under CSA • No Farm Bill exception to CSA	• No CSA controls • Farm Bill exception to CSA moot
Industrial Hemp		
Cannabis plant and any part with THC concentration not more than 0.3% on a dry weight basis	• Manufacture, distribution, dispensing and possession controlled under CSA (but subject to Farm Bill exception) • Farm Bill exception to CSA controls: state-legal cultivation by an institution of higher education or a state department of agriculture for research	• No CSA controls • Farm Bill exception to CSA moot

Industrial hemp can be used to produce CBD oil, an extract of the cannabis plant with a high concentration of cannabidiol (CBD) but little or no psychoactive THC. CBD oil is believed to have a range of medicinal benefits and therapeutic applications. Some have argued that the Farm Bill federally legalizes the production and sale of CBD oil. However, it is unclear whether CBD oil produced from industrial hemp is itself considered industrial hemp (the CSA defines marijuana by reference to the cannabis plant, parts of the plant and derivatives of the plant, whereas the Farm Bill exception to the CSA defines industrial hemp by reference only to the plant and parts of the plant, but does not mention derivatives). Even if CBD oil is considered industrial hemp and may be lawfully produced under the Farm Bill, only institutions of higher education and state departments of agriculture are authorized to produce it, and then only for purposes of agricultural or academic research; thus the Farm Bill likely does not create a CSA exception broad enough for large-scale commercial production and distribution of CBD oil within the United States.

Federal Food, Drug, and Cosmetic Act

The Federal Food, Drug, and Cosmetic Act (FD&C Act) is a federal law enacted in 1938 (and since amended multiple times) that authorizes the FDA to regulate the safety and effectiveness of drugs and medical devices and the safety of food, tobacco products and cosmetics. The FD&C Act prohibits the "adulteration or misbranding" of any drug, medical device, food, tobacco product or cosmetic (which the act generally refers to as "articles") in interstate commerce and prohibits interstate commerce in any such adulterated or misbranded article. The FD&C Act also prohibits the "introduction or delivery for

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introduction into interstate commerce" of any drug, medical device, food, tobacco product or cosmetic undertaken without the required FDA approval, permit or registration.

An article that includes cannabis or a cannabis derivative could conceivably qualify as a drug, medical device, food, tobacco product or cosmetic (or a combination). For example, a skin lubricant infused with cannabis extract and intended to relieve muscle pain may be both a cosmetic and a drug, and a prefilled device used to administer a metered dose of vaporized THC for treating nausea may be both a medical device and a drug. Industry dialogue regarding the FD&C Act and the FDA tends to focus on cannabinoid-based drugs and the potential for certain cannabis products to be regulated as food or a related category of products known as "dietary supplements," and we expand on both topics in the following discussion.

Drugs

Generally, the FD&C Act defines a "drug" as any one of the following:

(i) Any article recognized in the official U.S. Pharmacopoeia, U.S. Homeopathic Pharmacopoeia or National Formulary.

(ii) Any article intended for use in the diagnosis, cure, mitigation, treatment or prevention of disease in humans or animals.

(iii) Any article (other than food) intended to affect the structure or any function of the body of humans or animals.

(iv) Any article intended as a component of any of the foregoing.

The FDA oversees the manufacturing of drugs by inspecting domestic and foreign manufacturing plants, by sampling drugs from retail stores, distribution warehouses and manufacturing plants and by evaluating complaints and reports of defects from consumers and health care professionals. The FD&C Act generally prohibits a company from introducing a drug into interstate commerce without the FDA having first approved the drug as safe and effective for treating a specified medical condition.

FDA approval of a drug as safe and effective for treating a specified medical condition generally involves the following steps:

(i) The drug's manufacturer performs laboratory and animal tests to determine how the drug works and whether it is safe enough to test on humans.

(ii) If the manufacturer determines the drug is safe enough to test on humans, then the manufacturer submits for FDA review an Investigational New Drug (IND) application.

(iii) Upon review of the IND application, if the FDA determines the drug is safe enough to test on humans, then the FDA approves the manufacturer to proceed with human clinical trials.

(iv) The manufacturer performs a series of human clinical trials and submits the resulting data for FDA review in the form of a New Drug Application (NDA). Upon review of the NDA, if the FDA determines the drug's benefits outweigh its known risks and the drug can be manufactured in a way that ensures a quality product, then the drug is approved as safe and effective for treating the specified medical condition.

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A drug generally may not be marketed for treating a condition other than a condition for which the FDA has found the drug to be a safe and effective treatment; however, most FDA-approved drugs can be prescribed by doctors to treat other conditions (so-called "off-label" prescriptions).

Nonprescription or over-the-counter drugs can be marketed after receiving FDA approval through the NDA process or by conforming the drug to an existing over-the-counter "monograph" (a "recipe book" indicating acceptable ingredients, doses, formulations and labeling) established by the FDA.

Cannabinoid-Based Drugs

Several drugs containing synthetic cannabinoids or cannabinoid-like compounds have been approved by the FDA. Marinol, a drug comprised of dronabinol (a synthetic THC) encapsulated with sesame oil in a soft gelatin capsule, was approved by the FDA in 1985 for treatment of nausea and vomiting associated with cancer chemotherapy in patients who have failed to respond adequately to conventional antiemetic treatments. It was later approved, in 1992, for treatment of anorexia associated with weight loss in patients with AIDS. Syndros, a drug comprised of dronabinol in a liquid solution, was approved by the FDA in 2016 for treatment of the same symptoms for which Marinol was approved. Cesamet, a drug comprised of encapsulated nabilone (a synthetic cannabinoid similar to THC), was approved by the FDA in 1985 for treatment of nausea and vomiting associated with cancer chemotherapy in patients who have failed to respond adequately to conventional antiemetic treatments.

Each of the drugs Marinol, Syndros and Cesamet was placed on CSA Schedule II within one to two years after its initial FDA approval (Marinol and Syndros were rescheduled from Schedule I upon recommendation of the DHHS, and Cesamet's placement on Schedule II was its initial CSA classification). Schedule II through Schedule V substances can be prescribed by a doctor, but the CSA does not permit prescriptions for Schedule I substances, so removal of an FDA-approved drug from Schedule I is required before the drug can be prescribed legally.

The FDA has not approved any drug derived from the cannabis plant. However, two such drugs, Sativex and Epidiolex (both manufactured by U.K.-based GW Pharmaceuticals), have advanced through certain stages of the FDA approval process. Sativex is a mouth spray used for treatment of spasticity caused by multiple sclerosis; it includes THC and CBD derived from cannabis. Epidiolex is an oral formulation of cannabis-derived CBD intended to treat severe forms of childhood epilepsy. Human clinical trials have been conducted with both drugs, and although an NDA has not been submitted for Sativex, an NDA for Epidiolex was submitted to the FDA in October 2017. If approved by the FDA, Epidiolex would be the first FDA-approved pharmaceutical derived from cannabis.

Foods and Dietary Supplements

Generally, the FD&C Act defines "food" as (i) any article used for food or drink for humans or animals, (ii) chewing gum, and (iii) any article used as a component of any of the foregoing. The FD&C Act defines a "dietary supplement" generally as either (i) a product intended to supplement the diet that contains certain dietary ingredients (including vitamins, minerals, herbs, botanicals, amino acids, or other substances used by humans to supplement the diet by increasing the total dietary intake) or (ii) a product intended for ingestion in tablet, capsule, powder, softgel, gelcap, or liquid form and labeled as

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a dietary supplement but not represented for use as a conventional food or as a sole item of a meal or the diet. A dietary supplement generally is deemed to be a food under the FD&C Act.

The FD&C Act does not require foods or food labels to be pre-approved by the FDA, but it does give the FDA broad authority to regulate the safety of food and food labels and to prevent interstate commerce in adulterated or misbranded food. Facilities engaged in manufacturing, processing, packing or holding food for consumption in the United States are required to be registered with the FDA. The FD&C Act requires most foods to bear nutrition labeling and requires food labels that bear nutrient content claims and certain health messages to comply with specific requirements. The FDA is authorized to enforce safety and labeling regulations by conducting inspections, sampling, recalls and seizures, and by pursuing injunctions and criminal prosecutions.

Cannabis-Based Foods and Dietary Supplements

The FDA has published guidance (most recently updated in August 2017) concluding that (i) the FD&C Act does not permit foods to which THC or CBD have been added to be sold in interstate commerce and (ii) any product containing THC or CBD is not a dietary supplement. For this conclusion to be legally correct, based on the FD&C Act provisions cited by the FDA, it would need to be demonstrated that neither THC nor CBD were marketed in or as a food or as a dietary supplement before the occurrence of certain approvals and clinical investigations of drugs that include THC (e.g., Marinol) or CBD (e.g., Sativex or Epidiolex). The FDA publication does not demonstrate that neither THC nor CBD were marketed in or as a food or as a dietary supplement before such occurrences and merely states that the FDA is "not aware of any evidence that would call into question" its conclusion. The FDA's conclusion has not been subject to any legal challenge, and it remains unresolved whether certain cannabis-based products, particularly hemp-derived CBD products, might be regulated by the FDA as foods or dietary supplements rather than as drugs.

FDA Policy and Enforcement

In December 2016, the FDA published a document titled *Botanical Drug Development; Guidance for Industry* that discusses several areas in which, due to the unique nature of botanical drugs, the FDA believes it is appropriate to apply regulatory policies that differ from those applied to nonbotanical drugs. The guidance discusses challenges inherent to botanical drugs, including challenges related to ensuring therapeutic consistency, and suggests certain steps to address those challenges. The guidance was published only months after the DEA announced a new policy designed to increase the number of DEA-registered cannabis cultivators and permit-registered cultivators to grow cannabis for privately funded commercial drug development projects. These parallel developments indicate to some that the federal government is opening a pathway to federal approval of cannabis-derived drugs.

The FDA has the legal authority under the FD&C Act and related regulations to significantly disrupt the state-legal cannabis industry in the United States. The FDA has issued warning letters during the past several years to distributors of hemp-based CBD products but has not broadly enforced federal law against the cannabis industry. A cannabis-focused publication on the FDA website states that in deciding whether to initiate federal enforcement, the FDA may consult with its federal and state

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partners and consider many factors, including FDA resources and threats to public health. Beyond this statement, the FDA has not published detailed guidance about its cannabis-related enforcement priorities.

Bank Secrecy Act and Other Federal Laws Regarding Financial Transactions

Financial transactions in connection with cannabis-related CSA violations may implicate federal laws other than the CSA itself, including the federal money laundering statute, the federal unlicensed money transmitter statute and the Bank Secrecy Act (BSA).

The federal money laundering statute imposes penalties on any person who conducts or attempts certain financial or monetary transactions involving the proceeds of a "continuing criminal enterprise" (a term, used in the CSA, that arguably encompasses many cannabis businesses). Violations of the federal money laundering statute may result in fines equal to twice the value of the property involved in the transaction (or $500,000, if greater) and imprisonment for up to 20 years.

The federal unlicensed money transmitter statute makes it illegal for any person to operate or own a money transmitter business that involves the transportation or transmission of funds known to have been derived from or intended to promote or support criminal violations of the CSA. Violations of the law may result in fines and imprisonment for up to 5 years.

The BSA requires banks and other financial institutions to maintain certain records and to file certain reports deemed useful in criminal, tax or regulatory proceedings or in government intelligence and counterterrorism activities. Federal regulations under the BSA require financial institutions to file with the Financial Crimes Enforcement Network (FinCEN), a bureau of the U.S. Department of the Treasury charged with administering the BSA, a suspicious activity report (SAR) if the financial institution knows, suspects or has reason to suspect that a transaction conducted or attempted by, at or through the financial institution involves or is an attempt to disguise funds derived from illegal activity, is designed to evade BSA regulations or lacks an apparent lawful purpose. Financial institutions and their principals are subject to civil and criminal penalties for violations of the BSA.

U.S. Treasury Department: The FinCEN Memo

In coordination with the February 2014 Cole Memo update, FinCEN published a memorandum (FinCEN Memo) outlining how banks and other financial institutions can, consistent with their BSA obligations, provide services to marijuana-related businesses. The FinCEN Memo directs each financial institution to consider its own business objectives and the risks associated with offering a particular product or service when considering whether to commence or continue a customer relationship with a marijuana-related business. The memorandum emphasizes the importance of due diligence and outlines a procedure for filing SARs for such businesses.

The FinCEN Memo guides financial institutions to conduct a due diligence review of a customer's business that includes an evaluation of whether the customer relationship implicates (or would implicate) any Cole Memo priority and also includes the following investigations:

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1. Verifying with the appropriate state authorities whether the business is duly licensed and registered.
2. Reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business.
3. Requesting from state licensing and enforcement authorities available information about the business and related parties.
4. Developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (for example, medical versus recreational customers).
5. Ongoing monitoring of publicly available sources for adverse information about the business and related parties.
6. Ongoing monitoring for suspicious activity, including for certain red flags described in the FinCEN Memo.
7. Refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk.

The FinCEN Memo also guides financial institutions to file various SARs with FinCEN regarding customers engaged in marijuana-related businesses. According to the memorandum, an institution should file (i) a "Marijuana Limited" SAR for each customer it believes does not violate state law or implicate any Cole Memo priority, (ii) a "Marijuana Priority" SAR for each customer it believes violates state law or implicates any Cole Memo priority, and (iii) a "Marijuana Termination" SAR if the institution decides to terminate a customer relationship in order to maintain an effective anti–money laundering compliance program. The FinCEN Memo outlines certain "red flags" that tend to indicate which type of SAR filing is appropriate; red flags include the inability of a customer to demonstrate compliance with state law or deposits of amounts of cash inconsistent with its tax returns.

FinCEN periodically publishes information about marijuana-related SAR filings made by depository institutions. From the February 2014 FinCEN Memo publication through June 30, 2017, FinCEN received a total of 33,692 marijuana-related SAR filings from a total of 390 banks and credit unions. The following graphs based on FinCEN data show the number of monthly Marijuana Limited, Marijuana Priority and Marijuana Termination SAR filings for this period and the number of banks and credit unions making such filings.

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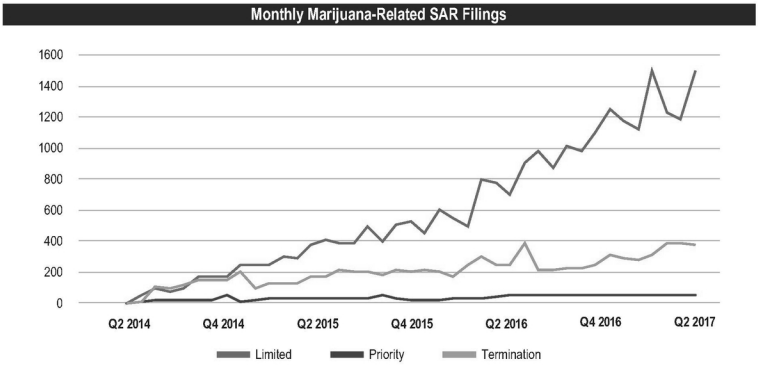

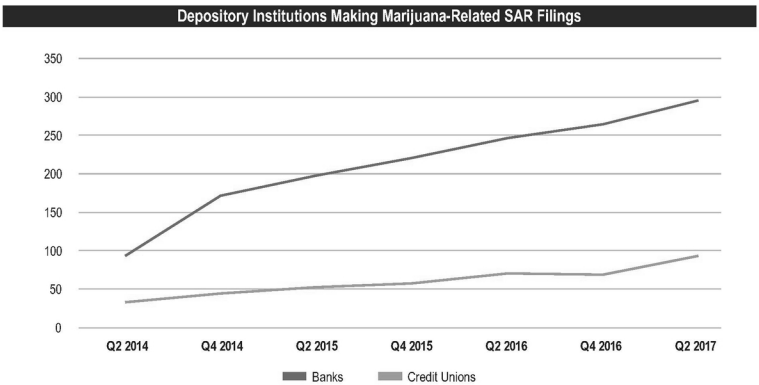

Source: Financial Crimes Enforcement Network

The upward trend in the frequency of marijuana-related SAR filings, as well as the growing number of depository institutions making such filings, indicate cannabis businesses increasingly are accessing the federal banking system despite federal law.

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The California State Treasurer's Cannabis Banking Working Group—a panel convened by California State Treasurer John Chiang that includes representatives from the cannabis industry and financial institutions, and government tax collection, law enforcement and regulatory agencies—issued a report in November 2017 on the cannabis industry's banking challenges. In the report, the State Treasurer's Office stated that the cannabis industry's lack of access to banking services is one of the biggest threats to the success of the state's recreational cannabis law, which is scheduled for implementation starting in January 2018. Based on the working group's findings, the State Treasurer's Office recommended the following four actions:

1. Implementation of safer, more effective, and scalable ways to handle the payment of taxes and fees in cash that minimize risks to stakeholders.
2. Development by the State of California and local governments of a data portal of compliance and regulatory data to be made available to financial institutions that bank cannabis businesses.
3. Conduct a feasibility study of a public bank or other state-backed financial institution that provides banking services to the cannabis industry.
4. Establish a multistate consortium of state government representatives and other stakeholders to pursue changes to federal law in order to remove the barriers to cannabis banking.

The State Treasurer's Office also stated it was apparent that a definitive solution to the cannabis banking quandary will remain elusive until the federal government removes cannabis from its official list of dangerous drugs or the U.S. Congress approves safe harbor legislation protecting financial institutions that serve cannabis businesses from federal penalties.

Federal Securities Law

The U.S. securities markets and industry participants are regulated principally under two federal laws: the Securities Act of 1933 (Securities Act) and the Securities Exchange Act of 1934 (Exchange Act). The Securities Act regulates the offer and sale of securities by issuers, and the Exchange Act regulates securities firms, stock exchanges, reporting by publicly traded companies and investing and trading practices of investors. The Exchange Act also establishes the Securities and Exchange Commission (SEC), a federal agency charged with enforcing federal securities laws.

Federal securities laws are intended to facilitate capital formation, maintain fair and efficient markets, and protect investors. The laws are based on a philosophy of disclosure: issuers of securities generally are obligated to completely and truthfully disclose material information to investors and the market, and failure to satisfy that obligation may result in civil or criminal penalties. Information generally required to be disclosed includes audited financial statements, discussions of risks applicable to the issuer and investors in its securities, and details of conflicts of interest faced by the issuer's officers and directors.

Federal securities laws related to private offerings provide fewer investor protections than laws related to public offerings and generally assume investors in private offerings can "fend for themselves." An issuer of securities in a private offering is not subject to the same extensive reporting requirements

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as publicly traded companies, but ordinarily will market its securities using a private placement memorandum (PPM) that includes information similar to some of the information required to be disclosed by publicly traded companies. An issuer in a private placement is subject to liability under federal securities laws for misrepresentation or fraudulent statements made in a PPM or otherwise in connection with the private offering.

By all indications, federal securities laws do not prohibit companies engaged in federally illegal cannabis activities from raising capital through the issuance of securities, nor do they prohibit industry participants like stock exchanges and investment banks from performing their ordinary market functions in connection with such companies. The SEC has allowed the registration and sale of securities offered by companies engaged in federally illegal cannabis activities and the trading of those securities on multiple U.S. stock markets. Although the SEC has on occasion suspended trading in some of these securities, those suspensions generally have been due to alleged violations of securities regulations rather than unlawful cannabis activities.

A cannabis company offering or selling securities must comply with federal securities laws—like any other issuer—by making required notice or registration filings and by providing truthful material information to investors. Any discussion of risks delivered to investors, whether required by securities laws or volunteered by the issuer as part of a private offering, should include a thorough discussion of the unique risks posed by operating a cannabis business engaged in federally illegal conduct. For an example of some of these risks, refer to Chapter IX, Cannabis Industry Risk Factors.

Federal Bankruptcy Law

Bankruptcy is a legal proceeding by which a debtor resolves its debt obligations and creditors are afforded certain rights in the debtor's assets in full or partial satisfaction of the debts owed to them. In the United States, bankruptcy is governed primarily by the Bankruptcy Reform Act of 1978 (Bankruptcy Code). Bankruptcy proceedings are conducted primarily by federal bankruptcy courts and generally involve administration of a debtor's assets either by a court-appointed trustee or by the debtor with approval and oversight of the court. Bankruptcy can be voluntary (initiated by the debtor) or involuntary (initiated by creditors). Bankruptcy provides certain rights and protections to the debtor and the creditors and is intended to fairly and finally resolve debts so the parties can pursue other affairs.

Debtors whose assets relate to federally illegal cannabis activity, as well as their creditors, generally are not eligible for bankruptcy protection for two reasons: First, federal courts refuse to appoint trustees to administer or take control of unlawful assets or business operations. Second, pursuant to an equitable doctrine known as "unclean hands," federal courts typically decline to honor creditor claims that arise from knowingly transacting with a debtor in furtherance of unlawful activity. A federal bankruptcy court in Arizona invoked both these reasons in its 2015 decision in *In Re Medpoint Management, LLC*; details of this case follow.

Medpoint Management, LLC (Medpoint) managed the cultivation and business operations of a state-legal Arizona medical cannabis dispensary. Medpoint defaulted under various loan and consulting agreements directly related to its dispensary activities, and the four creditors under those agreements

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filed a petition for involuntary bankruptcy. The bankruptcy court dismissed the petition, stating it would not assign a trustee "to administer drug tainted assets for the benefit of creditors who assumed the risk of doing business with an enterprise engaged in violations of federal law." Federal courts in California, Oregon, Colorado and Michigan have applied the same rationale to dismiss bankruptcy proceedings involving illegal cannabis-related assets.

State law alternatives to federal bankruptcy that may be available to cannabis businesses and their creditors include an assignment for the benefit of creditors (ABC) and receivership. An ABC is a state-law process for the orderly and controlled liquidation of a debtor's assets through a neutral, third party administrator. Receivership is a remedy whereby a court appoints a receiver to take possession of and protect property for the benefit of all concerned parties. In the state of Washington, for example, at least one medical cannabis business is reported to have successfully concluded a receivership process.

Internal Revenue Code

The Internal Revenue Code (IRC) defines gross income to include "all income from whatever source derived"; this definition has been interpreted by the Internal Revenue Service (IRS) and the U.S. Supreme Court to include income derived from unlawful activities. Consequently, cannabis businesses that violate the CSA and other federal laws related to cannabis nonetheless must file federal income tax returns and pay federal income tax.

A business generally computes its taxable income in two steps. First, the business computes its gross income by subtracting from its gross receipts the cost of goods sold (COGS), which includes the cost of acquiring, constructing or extracting a physical product that is to be sold. The subtraction of COGS to compute gross income is premised on constitutional grounds and cannot be changed by federal statutes or IRS regulations. Second, the IRC "allows" a business to deduct from gross income all ordinary and necessary business expenses, which generally include all business expenses other than COGS, such as employee salaries, payments to contractors, marketing costs, insurance premiums, and the cost of rent and utilities. But there are exceptions to this "allowed" deduction. One such exception is provided by IRC section 280E (Section 280E).

Section 280E disallows any deduction or credit for any amount paid or incurred in carrying on a "trade or business" that consists of unlawful "trafficking" in a Schedule I or Schedule II controlled substance. Although Section 280E does not prevent a cannabis business from subtracting COGS to compute gross income, it may prevent the deduction of all other business expenses for purposes of computing taxable income. As a result of Section 280E, businesses in the cannabis industry may have effective tax rates significantly higher than other businesses subject to federal income tax.

The scope of Section 280E, as it applies to U.S. cannabis businesses, is the subject of recent and ongoing federal court cases. The U.S. Tax Court has adopted the view (a view endorsed by the U.S. Supreme Court) that a "trade or business" is any activity entered into with the dominant hope and intent of realizing a profit, and it has indicated in multiple rulings that dispensing or buying and selling marijuana involves unlawful "trafficking" in a Schedule I controlled substance.

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A trade or business that consists of unlawful cannabis trafficking may comprise a separate division of a single taxpayer, as was found by the U.S. Tax Court in its 2007 decision in *Californians Helping to Alleviate Medical Problems, Inc. v. Commissioner,* in which case Section 280E does not prevent the taxpayer from deducting business expenses attributable to other lawful trades or businesses it conducts. Or, all of a taxpayer's activities may constitute a single trade or business subject to 280E even though the taxpayer conducts some lawful business transactions not involving cannabis, as was found by the U.S. Court of Appeals for the Ninth Circuit in its 2017 decision in *Canna Care, Inc. v. Commissioner.*

Patent Act

Title 35 of the U.S. Code (Patent Act) is the federal statute that governs patents in the United States. A patent issued under the Patent Act is the right to exclude others in the United States from making, using, importing, offering for sale or selling an "invention or discovery" and, if the invention or discovery is a process, products made by that process. U.S. patents are issued by the U.S. Patent and Trademark Office (USPTO), a federal agency established by the Patent Act. A U.S. patent lasts from the date of issuance until 20 years after the date on which the application for the patent was filed with the USPTO. Patent Act remedies available to the holder of an infringed U.S. patent include damages, recovery of lost profits and recovery of legal fees.

"Inventions and discoveries" eligible for a patent under the Patent Act generally include any machine, manufacture, composition of matter, process, art or method, or any improvement thereto that is novel, useful and non-obvious. Newly developed plants, plant varieties, seeds, plant parts, plant genes or plant production processes are generally recognized as inventions or discoveries eligible for a U.S. patent if they satisfy certain criteria. The Patent Act also provides specifically for a "plant patent" that precludes others from asexually reproducing, selling or using a distinct and new variety of plant (other than a tuber) that has been invented or discovered and asexually reproduced.

The Patent Act does not expressly prohibit the issuance of U.S. patents for inventions or discoveries that are unlawful or designed to serve an unlawful purpose, and the USPTO has issued a range of cannabis-related patents. Cannabis-related inventions or discoveries for which the USPTO has issued a patent include a cannabis strain named "Ecuadorean Sativa" (U.S. Plant Patent 27,475), cannabis cultivation and processing methods (U.S. Patent 9,095,554), a vaporizer (U.S. Patent 9,220,294), THC-infused shea butter for topical application (U.S. Patent 8,425,954), a THC extraction method (U.S. Patent 6,365,416) and equipment and methods for biosynthetic production of cannabinoids (U.S. Patent 9,587,212). U.K.-based GW Pharmaceuticals holds multiple cannabis-related U.S. patents. And despite the federal government's position for purposes of the CSA that marijuana has no currently accepted medical use in treatment in the United States, the U.S. federal government itself holds a patent for methods of treating certain diseases with cannabinoids (U.S. Patent 6,630,507).

Plant Variety Protection Act

The Plant Variety Protection Act (PVPA) establishes certain legal protections (or "breeders' rights") for the breeder of a sexually reproduced or tuber-propagated plant variety that is new, distinct, uniform and stable within the meaning of the PVPA. A breeder who so develops such a plant variety and satis-

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fies other PVPA requirements may apply for and receive a certificate of plant variety protection issued by the U.S. Department of Agriculture (USDA). Such a certificate establishes a breeder's right, for a period of time and subject to certain exceptions, to exclude others from selling the variety, offering it for sale, reproducing it, importing or exporting it, or using it in producing a hybrid or different variety. A breeder's rights under the certificate last for 20 years (25 years in the case of a protected tree or vine) from the certificate's issue date.

It is not clear whether the USDA has issued any certificate of plant variety protection for a cannabis variety. The USDA website provides a searchable database of certificates issued since February 2013, as well as a schedule of crop categories for which certificates have been issued. A search of these USDA materials indicated that no certificates for varieties of cannabis, marijuana or hemp have been issued. The PVPA defines "variety" as "a plant grouping within a single botanical taxon of the lowest known rank" with certain defining and distinguishing features. Given the disagreement among botanists regarding cannabis taxonomy noted in Chapter II, Cannabis Science 101, it may be challenging to demonstrate that a cannabis variety satisfies PVPA criteria for protection.

Trademark Act

A trademark is a word, name, symbol or device used by a person to identify and distinguish the person's goods or services from the goods and services of others and to indicate the source of the goods or services. Trademarks take many forms, including logos, slogans, symbols, colors and sounds. Under common law and through registration under state and federal statutes, a trademark owner can be afforded certain legal protections against unauthorized use of the trademark by others.

Trademark protection under federal law is provided primarily by the Trademark Act, also known as the Lanham Act, which provides for registration of trademarks with the USPTO. The holder of a federally registered trademark receives certain rights and protections under federal law, including the right to use the "®" symbol, evidence and nationwide notice of a claim of ownership, access to federal courts for dispute resolution, the ability to prevent importation of foreign goods that infringe on the trademark, and the right to recover certain statutory damages and attorneys' fees. Generally, federal registration is the most comprehensive trademark protection available in the United States.

Federal trademark registration requires "lawful" use of the trademark in commerce. Thus, trademarks used to identify, distinguish or indicate the source of cannabis or related products or services that are illegal under federal law are not eligible for federal registration. However, federal registration is available for trademarks used in connection with federally legal cannabis-related products or services, such as a recipe for food intended to be infused with cannabis or a cannabis-related clothing line.

Alternatives to federal trademark registration include protections available under common law and through registration under state trademark statutes. Common law protections vary across jurisdictions and generally extend only to geographical regions where a trademark has first been used in commerce. State trademark registration generally provides protection within the entire state but, like federal registration, may not be available for trademarks used in connection with unlawful subject matter.

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The Path to Federal Legalization

We believe that cannabis will eventually become federally legal for recreational enjoyment by adults and for use in a broad range of safe drugs and therapeutic products. A wide gulf currently separates federal policy from state legalization initiatives. Both federal and state regulators lack experience with science-based regulation that allows cannabis access, but they approach this lack of experience differently. Current federal policy is slow-turning and bureaucratic; it requires rigorous scientific evidence that cannabis is safe and effective but largely prohibits the industry from developing that evidence. State legalization initiatives are experimental: they start by legalizing the cannabis industry, then task state regulators with implementing rules and safeguards as the industry builds its scientific foundation and its markets.

We believe that federal policy will move (and may already be moving) in a new direction which allows for federally approved cannabis-derived drugs. If that happens, and if several cannabis-derived drugs are federally approved, we expect the FDA and the DEA will have developed data and protocols that facilitate more rapid approval of medical cannabis products. And if that happens, these federal agencies should be able to combine their science-based regulatory practices with the best practices of state regulators to develop a comprehensive federal approach to medical and recreational cannabis.

DEA and FDA Policy Direction

The path to federal legalization begins with understanding that current federal law, in theory, allows for the production, distribution and prescription of medical cannabis products in the United States. The DEA can register manufacturers to produce medical cannabis products in accordance with the CSA. The FDA can approve medical cannabis products for distribution in accordance with the FD&C Act. The DEA (an agency of the DOJ) and the FDA (an agency of the DHHS) together can cause medical cannabis products to be rescheduled under the CSA so that doctors legally can prescribe them. None of these regulatory actions requires a change in law. Technically, cannabis is not entirely prohibited by federal law.

But in any practical sense, cannabis is federally prohibited. For nearly 50 years, the DEA has registered only one cannabis manufacturer. The FDA has never approved a cannabis-derived drug. Because marijuana remains a Schedule I controlled substance, the lone DEA-registered cannabis manufacturer can produce cannabis only for strictly controlled research, and doctors cannot prescribe any marijuana compound or derivative as medicine. A duo of federal regulatory agencies—not federal law—prohibits lawful access to medical cannabis products; this may be changing. The DEA and the FDA appear to be exploring policies and practices that could result in the actual production, distribution and prescription of cannabis-derived drugs.

In August 2016, the DEA announced a new policy designed to increase (beyond one) the number of DEA-registered cannabis cultivators and permit-registered cultivators to grow cannabis for privately funded commercial drug development projects. The DEA has since accepted at least 25 applications for registration but has not issued any new registrations. Some observers believe the new policy initiative has stalled under the leadership of the DOJ, currently run by U.S. Attorney General Sessions. How-

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ever, that the DEA recognized and responded to the demand for expanded registration is a significant development on its own, and one that we believe may signal an important redirection of DEA policy.

In October 2017, the FDA accepted GW Pharmaceuticals' New Drug Application (NDA) for the cannabis-derived drug Epidiolex. The steps required to file an NDA for any drug involve extensive coordination and data sharing between the FDA and the applicant; submission of the Epidiolex NDA is an important milestone toward FDA approval. Many observers expect that Epidiolex will be the first cannabis-derived drug approved by the FDA.

Additionally, the FDA published industry guidance on botanical drug development in December 2016, several months after the DEA announced its new registration policy. The FDA guidance discusses challenges inherent to botanical drugs, including challenges related to ensuring therapeutic consistency, and suggests certain steps to address those challenges. The FDA guidance updates and replaces similar guidance last issued in June 2004, and we believe that the timing of this update may relate to other cannabis-related developments at the FDA and the DEA.

Federal Legalization: Predicted Developments

We predict six developments on the path to federal legalization: (1) the FDA will begin approving individual pharmaceutical-grade drugs derived from cannabis; (2) more states will adopt medical cannabis laws; (3) more states will adopt recreational laws; (4) the FDA will adopt routine approval procedures for drugs with extracts of low-THC/high-CBD cannabis varieties; (5) the FDA will adopt routine approval procedures for drugs with extracts of high-THC cannabis varieties; and (6) cannabis parts and derivatives will be removed from the CSA schedules (either incrementally, starting with CBD, or all at once) and will be fully legal for medical and recreational purposes.

Path to Federal Legalization

1. The U.S. Food and Drug Administration will begin approving individual pharmaceutical-grade drugs derived from cannabis.
2. More states will adopt medical cannabis laws.
3. More states will adopt recreational laws.
4. The FDA will adopt routine approval procedures for drugs with extracts of low-THC/high-CBD cannabis varieties.
5. The FDA will adopt routine approval procedures for drugs with extracts of high-THC cannabis varieties.
6. Cannabis parts and derivatives will be removed from the CSA schedules and will be fully legal for medical and recreational purposes.

We do not predict that these developments necessarily will occur in the order presented. We do expect some of them to develop in parallel, and none of them depends fundamentally on any other. The manner in which federal cannabis legalization actually proceeds, and the timing of any related developments, are not known to us or anyone else. Almost certainly, our predictions will prove inaccurate in some respects. States may reverse their legalization efforts. The medical efficacy of cannabis may not be proved to be significant. Cannabis may never be legalized federally. However, we believe these developments will likely be among others that lead to the federal legalization of cannabis. We expand on each of these developments in the following discussion.

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(1) FDA Approves Cannabis-Derived Pharmaceuticals

The FDA will approve pharmaceutical-grade drugs derived from cannabis through the NDA process. FDA approval will require manufacturers to use cannabis varieties with particular chemical profiles and to demonstrate the ability to control the chemical consistency of those varieties during manufacturing. The DEA will place a narrow characterization of each FDA-approved drug on CSA Schedule II, III, IV or V, and will issue one or more registrations to manufacture the drug and the cannabis variety used to produce the drug. The FDA will improve and refine its botanical-drug review process in general and, in particular, as it relates to cannabis-derived drugs. The FDA, the DEA and DEA-registered cannabis researchers and manufacturers will cooperate to create a federal database of (i) each cannabis variety approved for use in producing an FDA-approved drug and (ii) the manufacturing controls required by the DEA and the FDA to cultivate chemically consistent plants of the variety in accordance with the CSA and the FDA's drug approval. We refer to each cannabis variety in this database, together with its required manufacturing controls, as an "FDA-registered chemovar" (a chemovar is a plant variety characterized by its chemical content).

(2) More States Adopt Medical Cannabis Laws

More states will adopt medical cannabis laws, and the number and nature of qualifying medical conditions included in such laws will expand. Scientific research will improve the ability of the state-legal medical cannabis industry to develop products that target specific medical conditions. Companies will increasingly seek to differentiate such medical product offerings from recreational cannabis products. State regulators and industry leaders will seek to standardize testing, labeling and quality control procedures particular to medical cannabis products and adopt cannabis-variety recognition and manufacturing practices consistent with those for FDA-registered chemovars.

(3) More States Adopt Recreational Laws

More states will adopt recreational laws, typically after medical cannabis has been legalized for some period of time. States will establish agencies to comprehensively regulate both recreational and medical cannabis; some regulatory standards will apply across both categories but, increasingly, regulations will develop specific to each category. State regulators will learn from the recreational cannabis experience of other states and will seek to standardize regulations that allow adults to responsibly enjoy cannabis while protecting the health and safety of the general public. Recreational cannabis regulations will resemble federal and state alcohol and tobacco regulations, addressing issues such as product potency and warning labels, and restrictions on advertising and packaging that appeal to minors.

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(4) FDA Routinely Approves CBD Drugs

The FDA will adopt procedures for the routine approval of drugs that contain extracts of certain low-THC/high-CBD FDA-registered chemovars. The new procedures will involve development of a low-THC cannabis drug monograph that resembles in some ways the FDA monographs for over-the-counter drugs. The monograph will address formulation, dosing and labeling requirements. The FDA-registered chemovars included in the monograph will be rescheduled by the DEA to Schedule II, III, IV or V in order to relax DEA registration requirements for manufacturing; however, the chemovars themselves (particularly their flowers) will not be approved for use by the FDA, and only drugs produced from extracts in accordance with the monograph will receive routine FDA approval.

(5) FDA Routinely Approves THC Drugs

Relying on experience with the low-THC cannabis drug monograph and a growing database of FDA-registered chemovars, the FDA will adopt procedures for the routine approval of drugs that contain extracts of certain high-THC FDA-registered chemovars. The procedures will parallel in many ways those used in the low-THC monograph procedure, and likely will incorporate additional safeguards related to THC content. The FDA-registered chemovars included in the high-THC monograph will be rescheduled by the DEA, but cannabis flower from those rescheduled chemovars will not be approved for use by the FDA.

(6) Federal Government Legalizes Cannabis

Parts and derivatives of the cannabis plant will be removed from the CSA schedules. This could occur incrementally, starting with CBD (which could be removed by amending the definition of marijuana to exclude CBD) and followed later by the rest of the plant (including THC). Or all parts and derivatives of the plant could be de-scheduled at the same time. There will be three general categories of legal cannabis products: (i) FDA-approved drugs, which will continue to be developed and approved through the NDA and other processes; (ii) "therapeutic" cannabis products, which may be limited to CBD concentrates and infused products if CBD is de-scheduled first, but which eventually will include smokable flower (including high-THC flower) and most forms of cannabis, and which will be permitted to make limited health-related claims but will not be approved by the FDA as safe and effective for treating any specified medical condition; and (iii) recreational products, which also may be limited to CBD products initially, but which eventually will include a broad range of high-THC flower, concentrates and infused products. The DEA will still require registration of cannabis and CBD manufacturers if CBD is de-scheduled first, but once the entire cannabis plant is de-scheduled, a new federal cannabis agency will be established to regulate medical and recreational cannabis in cooperation with the FDA and state regulators. The new agency will adopt the DEA's institutional framework for controlling the manufacture of chemovars used in FDA-approved drugs and the most successful state strategies for regulating recreational cannabis, such as potency limits, labeling requirements and restrictions on marketing to minors.

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Outlook

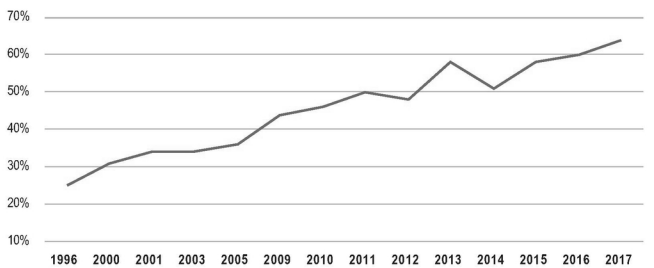
Development (1) does not require any change in federal law or radical departure from prior federal policy, but merely requires a redirection of FDA and DEA policies and practices. Developments (2) and (3) also do not require a fundamental change in federal law. In this sense, developments (1)–(3) largely reflect incremental developments within the existing legal environment. For example, eight state legislatures are expected in 2018 to introduce ballot measures or explore regulatory frameworks for recreational cannabis (Arizona, Delaware, Florida, Michigan, New Jersey, Ohio, Rhode Island and Vermont). Three other states (Missouri, Oklahoma and Wyoming) are expected to enact medical cannabis laws in 2018. And as discussed previously, many observers expect that in 2018, the FDA will approve a cannabis-derived pharmaceutical for the first time.

Developments (4)–(6) require more fundamental changes in federal laws and policies. We do not expect developments (4), (5) or (6) to occur during the current presidential term, but we believe that there is a reasonable chance development (4) could begin within the next five years and development (5) could occur within two years thereafter. In total, we believe it could take up to 10 years or more before the federal legalization process reaches development (6) and cannabis becomes fully legal under federal law.

We believe that cannabis will become federally legal when American voters demand it. Developments (1)–(5) are not required precursors to federal legalization, and either the U.S. Congress or the DEA could initiate development (6) at any time. We believe that either the Congress or the DEA is more likely to take such a step in an environment where developments (1)–(5) have progressed, but there are signs that pressure from American voters may be mounting for the federal government to act more quickly.

According to Gallup, the percentage of Americans who support legalization of cannabis use has increased significantly over the past two decades, and 64% of Americans today believe cannabis use should be legal. We expect that, eventually, federal policy will align with the attitudes of a majority of American voters. The following graph shows the percentage of Americans who answered "Yes" to Gallup when asked whether use of marijuana should be made legal.

U.S. Public Support for Legalizing Cannabis Use



Source: Gallup. Data is shown for each year that such data was provided by Gallup since 1995.

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CHAPTER V
Global Cannabis Regulation

Global Cannabis Legalization Momentum

Cannabis legalization is gaining momentum around the world, offering global opportunities for cannabis companies and related businesses. This momentum is driven primarily by the increasing recognition that cannabis may have a range of legitimate medicinal benefits and therapeutic applications. At least 20 countries now have medical laws that facilitate patient access to cannabis or concentrates for treating specified medical conditions. Notable countries with such medical laws include Australia, Canada, Colombia and Germany; countries without such laws include China, Japan, Russia and the United States. (Contrary to U.S. federal law, 29 states, encompassing 62% of the U.S. population, permit the production and possession of cannabis or concentrates for use in treating a broad range of qualifying medical conditions.) While the merits of medical cannabis are currently driving legalization, we believe that—like Uruguay and numerous U.S. states—other countries will ultimately enact legislation permitting the production, sale and use of recreational cannabis. (Canada is widely expected to do so in mid-2018.)

The following world map illustrates select countries that (i) have enacted medical laws that facilitate patient access to cannabis or concentrates for treating specified medical conditions, (ii) have enacted recreational laws that permit the commercial production and sale of cannabis to adults for recreational and other uses, or (iii) include a state or province that has a cannabis law or policy in conflict with federal law.

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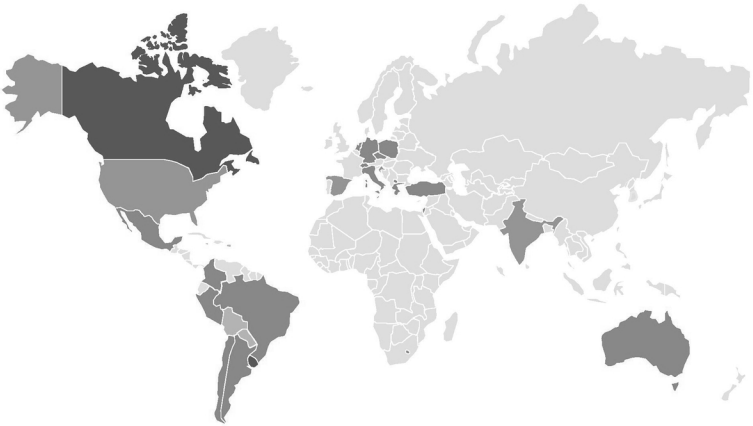
Select Countries with Legalized Cannabis Access (January 2018)



Medical Law

Argentina	Colombia	Greece	Lesotho	Peru
Australia	Croatia	Israel	Macedonia	Poland
Brazil	Czech Republic	Italy	Mexico	Switzerland
Chile	Germany	Jamaica	Netherlands	Turkey

Recreational Law

Canada[1]
Uruguay[2]

State/Province Conflict with Federal Law

India
Spain
United States

[1]Canada currently has a medical law. Assumes Canada enacts a proposed recreational law in mid-2018.
[2]Uruguay has both a medical law and a recreational law.

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International partnerships and business plans are being formed as countries increasingly allow importation and exportation of cannabis products and more companies recognize the global potential of the cannabis industry. Canadian companies are cultivating cannabis in South America and supplying markets in Europe, Australian companies are forming research partnerships with producers in Israel, and European companies are securing cannabis-related patents in the United States. And, as discussed in more detail in Chapter VII, Capital Markets for Cannabis Companies, more cross-border investment activity is taking place as industry participants position for the expected further opening of global cannabis markets.

Despite the growing recognition of the potential medical value of cannabis, the current legalization momentum and the increasingly international scope of cannabis business, the movement of products and flow of capital required for a truly global industry continue to be inhibited by incongruous laws, regulations and international treaties. For example, concerns about violating U.S. federal banking and anti–money laundering regulations have caused certain U.S. banks to refuse to be connected to the cannabis industry, avoiding even indirect association with cannabis activity that is legal where conducted. In one instance, a number of U.S. banks threatened to cease business with certain Uruguayan banks that serviced pharmacies legally distributing recreational cannabis within Uruguay. In turn, those Uruguayan banks effectively forced the pharmacies to stop participating in Uruguay's cannabis market. (In a similar way, lack of access to the U.S. federal banking system continues to inhibit growth of the domestic cannabis industry.) Until the largest economies in the world more fully embrace cannabis, we must stop short of calling cannabis a truly global industry. However, we believe that the legalization momentum will continue worldwide.

United Nations Conventions

International regulation of cannabis, cannabis derivatives and many other narcotic, psychotropic and similar substances is addressed primarily by three international treaties (Conventions) adopted through the United Nations (UN) between 1961 and 1988.

The Single Convention on Narcotic Drugs of 1961 (1961 Convention) addresses regulation of the cannabis plant, the coca flower and the opium poppy; certain of their derivatives (such as hashish, cocaine and heroin, respectively); and any other substance found in accordance with the 1961 Convention to be "liable to similar abuse and productive of similar ill effects." The 1961 Convention establishes four schedules of substances subject to increasingly strict controls in the following order: Schedule III, Schedule II, Schedule I and Schedule IV. Schedule IV substances (the most strictly controlled) are those Schedule I substances found to be particularly liable to abuse and to produce ill effects and for which such liability is not offset by substantial therapeutic advantages. Cannabis, cannabis resin, and extracts and tinctures of cannabis are included on Schedule I; cannabis and cannabis resin are also included on Schedule IV.

The Convention on Psychotropic Substances of 1971 (1971 Convention) addresses regulation of certain "psychotropic" substances, which the Convention recognizes generally as substances that may stimulate or depress the central nervous system causing "hallucinations or disturbances in motor func-

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tion or thinking or behaviour [sic] or perception or mood," that may produce "a state of dependence" and that are subject to abuse "so as to constitute a public health and social problem warranting the placing of the substance under international control." Substances addressed by the 1971 Convention include THC, barbiturates, amphetamines and psychedelics such as LSD. The 1971 Convention establishes four schedules of substances subject to increasingly strict controls in the following order: Schedule IV, Schedule III, Schedule II and Schedule I. Schedule I includes THC and certain of its isomers and stereochemical variants. Schedule II includes dronabinol (a synthetic THC) and its stereochemical variants.

The United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988 (Traffic Convention) establishes additional tools for enforcing provisions of the 1961 and 1971 Conventions. The Traffic Convention provides for international cooperation in arresting and prosecuting illicit traffickers of substances scheduled under the 1961 and 1971 Conventions and in disrupting their financial and distribution networks through extradition, anti–money laundering practices, asset forfeiture and other methods.

Generally, the Conventions contemplate that the manufacture, export, import, distribution, use and possession of scheduled substances should be allowed only for medical and scientific purposes under legal authority and that penalties, including criminal penalties, should apply to those who engage in such activities for other purposes or outside legal authority. Countries participating in the Conventions are generally required to enact laws and regulations that carry out the provisions of the Conventions, which may require them to establish dedicated regulatory agencies, track and report physical inventories as well as production and revenue data, implement and enforce labeling requirements and quality control procedures, restrict use of substances to those holding medical prescriptions and impose criminal penalties for violations. Currently, more than 180 countries are party to each Convention.

Amending schedules under the 1961 and 1971 Conventions generally involves participation of three UN-related bodies: (1) the Economic and Social Council (ECOSOC), one of the six main organs of the UN established under the UN charter in 1945; (2) the Commission on Narcotic Drugs (CND), itself a subsidiary body of the ECOSOC that assists the ECOSOC in supervising the application of international drug control treaties; and (3) the World Health Organization (WHO), an autonomous intergovernmental organization that collaborates with the UN and other organizations on global health matters. A schedule amendment may be initiated by the WHO or by any country participating in the applicable Convention, and generally requires approval of the CND, which approval may be subject to further review and approval by the ECOSOC. Notably, because regulations applicable to cannabis and certain derivatives are included in the body of the 1961 Convention (and not just in its schedules), merely removing cannabis and its derivatives from the schedules under the 1961 Convention would not entirely remove cannabis from that Convention's regulatory framework.

Recent Developments Related to the UN Conventions

Global support for the prohibitionist policies of the Conventions is waning, and a growing chorus of world leaders is calling for new policies for cannabis and other substances to be based on public health concerns rather than criminalization.

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In 2012, the presidents of Colombia, Guatemala and Mexico requested the UN to focus its next special session on drugs on policy reform rather than on a mere progress review and continuation of the same policies. In 2014, the Global Commission on Drug Policy—represented by former UN Secretary-General Kofi Annan and the former presidents of Brazil, Chile, Colombia, Mexico, Poland, Portugal and Switzerland—called for an end to the criminalization of drug use and possession and for the responsible legal regulation of psychoactive substances.

A UN General Assembly Special Session (UNGASS) on drugs was originally scheduled for 2019, but was accelerated to April 2016 as a result of a proposal sponsored by Mexico and cosponsored by 95 other countries. The general assembly is the primary policy body of the United Nations, and one in which all UN member states have equal representation. Given this broad representation and the growing support for decriminalization, many expected the 2016 UNGASS on drugs to result in significant changes in policy. In an open letter delivered to UN Secretary-General Ban Ki-moon on the eve of the session, former presidents or prime ministers of Brazil, Cape Verde, Chile, Colombia, Greece, Hungary, Mexico, the Netherlands, Nigeria, Poland and Switzerland joined with high-profile scholars, celebrities, clergy, business leaders, elected officials and others in pressing the Secretary-General to call for reform of prohibitionist drug control policies. Those supporting reform were disappointed when the UN General Assembly adopted a resolution reaffirming its "commitment to the goals and objectives" of the three Conventions.

Despite the lack of an immediate and fundamental shift away from the prohibitionist policies of the Conventions, other steps are being taken that may result in relaxed cannabis controls within the existing Conventions framework. A committee of the WHO tasked with making drug control recommendations to the CND on behalf of the WHO—the Expert Committee on Drug Dependence (ECDD)—recognized an increase in medical cannabis use and the emergence of cannabis-related pharmaceuticals, and in November 2016 requested that the WHO prepare "pre-review" materials for cannabis, for the specific cannabis derivatives scheduled under the 1961 and 1971 Conventions, and for cannabidiol, or CBD. These pre-review materials are preliminary analyses considered by the ECDD to determine if more in-depth "critical reviews" should be undertaken by the ECDD.

The WHO presented the requested CBD pre-review materials at a November 2017 ECDD meeting. The CBD materials indicate that CBD exhibits no effects indicative of any abuse or dependence potential in humans, and that there is no evidence of any public health–related problems associated with the use of pure CBD. The outstanding pre-reviews related to cannabis and specific derivatives are expected in early 2018. The ECDD recommended that the pre-review materials be evaluated at a specific cannabis-focused ECDD meeting to be held no later than June 2018. The requested pre-reviews represent the first ever scientific guidance on cannabis to be issued within the framework of the Conventions. If the pre-reviews lead to critical reviews, such reviews could ultimately result in a WHO-initiated rescheduling of substances under the 1961 and 1971 Conventions.

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Global Legal Developments

Nations around the world have recently passed or are considering enacting an array of measures decriminalizing cannabis, legalizing it for medical use or, in a few cases, legalizing it for recreational use in contravention of the UN Conventions. The following discussion summarizes recent legal developments related to cannabis across different regions.

United States

Despite marijuana and THC being Schedule I controlled substances under the CSA—which, practically speaking, makes almost all manufacture, distribution, dispensing and possession of cannabis in the United States a federal crime—29 U.S. states and the District of Columbia have enacted medical cannabis laws that permit the production and possession of cannabis or concentrates for use in treating a broad range of qualifying medical conditions, and 8 of those same states have enacted recreational laws that permit the commercial production and sale of cannabis to adults for recreational and other uses. And 19 U.S. states (including 2 with medical cannabis laws) have passed narrow CBD/limited laws that permit possession of small amounts of low-THC/high-CBD cannabis concentrates for use in treating a few serious medical conditions—in particular, severe forms of childhood epilepsy. A majority of Americans now live in states that permit the production and possession of cannabis or concentrates for use in treating a broad range of qualifying medical conditions, and polls show that a majority of Americans believe cannabis use should be legal. For a more thorough discussion of U.S. state and federal law, see Chapter IV, U.S. Legal Landscape.

Canada

Canada's Controlled Drugs and Substances Act (CDSA) was enacted in 1996 and currently serves as the country's implementing legislation under the UN Conventions. The CDSA establishes eight schedules of "controlled substances" and imposes civil and criminal penalties for production, trafficking, importing, exporting and possession of those controlled substances in violation of the CDSA. Cannabis, cannabis preparations and derivatives, and certain cannabinoids, including THC and CBD, are Schedule II substances under the CDSA. Those who commit CDSA violations related to Schedule II substances are subject to fines and imprisonment.

In a 2000 decision by the Court of Appeal for Ontario, the court held that certain criminal prohibitions under the CDSA related to cannabis were unconstitutional because they did not include a constitutionally acceptable medical exemption. Following this constitutional holding and acting within the framework of the CDSA, which allows for the issuance of regulations and exemptions thereunder, Canada issued a sequence of three medical marijuana regulations discussed below.

The Marihuana [sic] Medical Access Regulations (MMAR), issued in 2001, permitted individuals with the authorization of their health care practitioners to grow their own cannabis plants for medical purposes, to designate someone to grow cannabis for them or to purchase dry cannabis flower from Health Canada (the government agency charged with administering Canada's medical cannabis regulations). The MMAR was successfully challenged on constitutional grounds and eventually replaced

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in 2013 by the Marihuana [sic] Medical Program Regulations (MMPR). The MMPR created a regulatory framework under which individuals with a medical need could obtain dry cannabis flower from licensed commercial producers. Like the MMAR before it, the MMPR was held unconstitutional and was eventually replaced, this time in August 2016, by the currently effective Access to Cannabis for Medical Purposes Regulations (ACMPR).

The ACMPR permits businesses licensed by Health Canada to commercially produce and distribute cannabis flower, cannabis oil and cannabis starter materials, such as plants and seeds, to individuals with a medical recommendation from an authorized health care practitioner. The ACMPR also allows such individuals to produce a limited amount of cannabis for their own medical purposes, or to designate another person (which may include Health Canada) to produce it for them. The ACMPR sets forth a comprehensive licensing and regulatory regime that addresses security of licensed production facilities, import and export permits, quality control measures and labeling requirements, and imposes limits on the amount of cannabis that can be produced and possessed by an individual.

In April 2017, a proposed recreational law was introduced in the Canadian parliament; this legislation would allow adults to purchase cannabis from federally licensed producers and to possess and share cannabis with other adults. The proposed Cannabis Act would authorize the Canadian government to issue regulations for the administration and enforcement of the act and to issue licenses and permits authorizing the importation, exportation, production, testing, packaging, labeling, sending, delivery, transportation, sale, possession or disposal of cannabis and cannabis products. The Cannabis Act would authorize Canadian provinces and territories to regulate the distribution and retail sale of cannabis within their jurisdictions, and all individuals and entities, including federally licensed businesses, would be required to comply with those local regulations as well as federal laws.

Unlike the ACMPR, which is a set of medical cannabis regulations issued within the framework of Canada's CDSA, the Cannabis Act would amend the CDSA and related criminal and other statutes to facilitate the recreational law in Canada. The proposed Cannabis Act is widely expected to be approved in some form by the Canadian parliament by mid-2018. If approved, Canada would be the largest country in the world to legalize recreational cannabis on a national level.

Latin America and the Caribbean

During the past five years, Latin American and Caribbean nations (and Puerto Rico, a U.S. territory) have taken significant legal measures that increase access to cannabis for medical purposes, permit recreational cannabis use and relax criminal prohibitions.

In 2013, Uruguay became the first nation in the world to legalize and regulate the commercial production and sale of cannabis to adults for recreational and other uses. The Uruguayan law authorizes licensed producers to grow cannabis for sale, through licensed pharmacies, to Uruguayan citizens and permanent residents who have registered with the government; the law also permits individuals to grow up to six cannabis plants per year and to form small clubs that may grow up to 99 plants per year. Cannabis sales through licensed pharmacies commenced in 2017.

In 2015, Colombia approved a legal framework for the cultivation, processing and sale of cannabis extracts and related products for scientific and medical purposes. The Colombian framework provides

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for the issuance of separate licenses for cultivation and processing. It also contemplates that permits will be available under Colombia's export laws for the export of lawful cannabis products to jurisdictions where importation is legal. Colombia issued the first processing license in 2016 and the first cultivation license in 2017.

In 2017, Argentina enacted regulations permitting the use of cannabis oil and other derivatives either by qualifying patients or for scientific and medical research. Under the new legislation, the government will oversee cultivation and production of cannabis and its derivatives for research purposes and for patient consumption, establish a national registry of qualifying patients and make cannabis products available to those patients, free of charge. The government expects to import cannabis supplies until they can be produced domestically.

Other Latin American nations that have taken recent steps to increase medical cannabis access include Chile, Brazil, Mexico and Peru. In 2015, Chile changed its laws to allow medical cannabis use by patients and to authorize the sale of cannabis-based medicines through pharmacies. In 2016, Brazil approved a resolution authorizing the prescription and importation of cannabis products, including THC and CBD, for use in treating certain qualifying medical conditions. In June 2017, Mexico enacted a law directing its Ministry of Health to prepare regulations for the research, production and medicinal use of "pharmacological derivatives" of cannabis. In November 2017, Peru adopted a bill legalizing the production, commercialization and importation of cannabis oil to be used for medical purposes.

In the Caribbean region, Puerto Rico, the Cayman Islands and Jamaica have taken measures to decriminalize cannabis or increase access for medical use. In 2015, the governor of Puerto Rico signed an executive order that legalized use of cannabis derivatives (but not cannabis flower) for medical purposes. Jamaica passed a law in 2015 that decriminalizes possession of small amounts of cannabis, permits an individual to cultivate no more than five cannabis plants, establishes a medical cannabis regulatory agency and allows tourists with foreign medical cannabis prescriptions to purchase small amounts of cannabis. A 2016 law enacted in the Cayman Islands legalized the use of cannabis extracts for medical purposes and authorized the creation of import regulations and the sale through licensed pharmacies.

Australia and New Zealand

Australia amended its Narcotic Drugs Act in 2016 to authorize a regulated medical cannabis industry in the country. The amendment establishes licenses to cultivate cannabis, produce cannabis resin and other products for medicinal purposes, manufacture medicinal cannabis products and conduct cannabis research. A license-holder is required to secure a permit that places conditions on the license and identifies specific activities allowed within the scope of the license. Cannabis products for medicinal use that are either legally manufactured in Australia or legally imported can be prescribed to qualifying medical patients. The amendment defines medicinal cannabis products broadly as a product that includes, or is produced from, any part of the cannabis plant and is intended for the purpose of "curing, or alleviating the symptoms of a disease, ailment or injury."

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New Zealand's Misuse of Drugs Act generally makes the importation, cultivation, distribution, possession and use of cannabis illegal. However, in September 2017, New Zealand's Health Ministry lifted certain restrictions so that doctors may now prescribe approved CBD products. (Previously, patients in need of CBD products were required to apply directly to the Health Ministry, and approval was granted on a case-by-case basis.) In December 2017, New Zealand introduced legislation for a medical law that would amend the Misuse of Drugs Act to permit domestic production of medical cannabis products and their use by people with terminal illness or chronic pain.

Europe

The European Union provides no coordinated legal framework for cannabis and, historically, European countries generally have prohibited its production and sale, but have also decriminalized or tolerated possession of small amounts.

In some European countries, personal use exceptions to criminal prosecution have been used to carve out visible distribution models. In the Netherlands, for example, Amsterdam is famous for its coffee-shop cannabis sales, even though the suppliers of cannabis to those coffee shops generally operate illegally. And in Spain, despite a federal prohibition on the sale of cannabis, court decisions and laws permitting cultivation for personal consumption have served to justify the country's hundreds of private cannabis clubs.

To date, no European country has implemented a recreational law comparable to those in Uruguay and some U.S. states and expected in Canada. However, starting with the Netherlands in 2003, a number of European countries have enacted medical laws that facilitate patient access to cannabis or concentrates, through importation or domestic production, for treating specified medical conditions.

Italy has allowed medical cannabis use since 2013 under a law that requires cannabis to be sold through authorized pharmacies to patients with a valid prescription.

Croatia legalized the limited use of medical cannabis products in 2015. Under the law, doctors may prescribe cannabis ointments, teas and other extracts to patients with a qualifying health condition, including tumors, AIDS, multiple sclerosis and child epilepsy. Smoking or vaporizing cannabis flower is not allowed under the law. In 2016, Croatia received a shipment of medical cannabis products from a Canadian producer, marking the first time a North American company legally shipped cannabis products containing THC and CBD into the European Union.

A German law that took effect in 2017 legalizes the use of medical cannabis products prescribed for patients with serious illnesses, including multiple sclerosis, chronic pain, epilepsy and chemotherapy-induced nausea and lack of appetite. The law provides a framework for the regulation of suppliers under which the government has already issued import licenses to Canadian and Dutch firms and is finalizing an approval process for the issuance of domestic production licenses.

A 2017 Polish law permits patients to obtain medical cannabis products, including flower, extracts and tinctures, through pharmacies if they have both a physician's medical authorization and permission from a regional pharmaceutical inspector. The qualifying conditions eligible for medical cannabis include chronic pain, chemotherapy-induced nausea, multiple sclerosis, spasticity and treatment-resistant epilepsy. Cannabis products must be imported into Poland because the law does not permit cannabis cultivation within the country.

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Greece announced in 2017 that the use of cannabis extracts would be permitted for patients who obtain a doctor's recommendation and are diagnosed with chronic pain, neuropathic pain, chemotherapy-induced nausea, certain eating disorders and cancer.

In the United Kingdom, the Misuse of Drugs Act 1971 (Drugs Act) generally prohibits the manufacture, supply and possession of any "controlled drug," including cannabis and cannabis resin, without a license issued by the Home Office, a ministerial department of the U.K. government. There is no exception to this general Drugs Act prohibition that would facilitate patient access to cannabis or concentrates for treating specified medical conditions. However, within the Drugs Act framework, the Home Office has issued to U.K.-based GW Pharmaceuticals licenses to cultivate, possess and supply cannabis for medical research and for commercial purposes. GW Pharmaceuticals produces Sativex, a mouth spray that contains cannabis-derived THC and CBD and is used for treatment of spasticity caused by multiple sclerosis. Sativex is generally recognized as the first prescription drug in the world to include plant-based cannabinoids. It was first approved for use in the U.K. in 2010 and has been approved for use in at least 30 countries (but not in the United States).

Middle East, Asia and Africa

Throughout the Middle East, Asia and Africa, cannabis cultivation, sale and possession generally remain prohibited and punishable as criminal offenses. Only a handful of countries from these regions have enacted laws that decriminalize possession of small amounts of cannabis for personal use or facilitate patient access to cannabis or concentrates for treating specified medical conditions.

In 2017, particular sections of South Africa's Drugs and Drug Trafficking Act, which prohibit cultivation, possession and personal use of cannabis on private property, were declared unconstitutional. During the same year, Lesotho (an enclave surrounded entirely by South Africa) granted a license to a pharmaceutical company to grow, process and sell cannabis for medicinal use or scientific purposes.

In Israel, the country's Dangerous Drug Ordinance generally criminalizes the manufacture, possession and use of cannabis. However, medical cannabis in smokable and other forms has been legal since the 1990s for patients with a range of serious medical conditions, including multiple sclerosis, Crohn's disease, cancer and post-traumatic stress disorder, and the country is widely recognized as a global leader in medical cannabis research and cultivation. Under Israel's medical cannabis rules, the Ministry of Health can issue permits for the production, distribution and use of medical cannabis products. Patients must first obtain a doctor's recommendation and submit it to the ministry in order to receive a medical cannabis use permit. In August 2017, the Israeli Ministries of Health and Finance announced that licensed producers and distributors of medical cannabis would become eligible, for the first time, for permits to export medical cannabis to jurisdictions where it is legal to import.

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Global Outlook

While the medical potential of cannabis is driving an initial wave of legalization, we believe countries will eventually legalize the commercial production and sale of cannabis to adults for recreational use. In this regard, 2018 will be an important year, with the expected approval of the recreational Cannabis Act in Canada and the implementation of California's new recreational law. In Canada, we may observe for the first time the implementation of a large-scale national recreational law. Similarly, as the most populous U.S. state and one of the world's largest economies, California's recreational cannabis rollout will be a bellwether for the global cannabis industry. The successes, failures and lessons learned in Canada and California will have significant impacts on the cannabis industry worldwide.

In our view, the course taken by the U.S. federal government will impact the global cannabis industry more than any other factor. If the U.S. federal government were to change its current practice and aggressively enforce existing federal cannabis laws, we would expect a corresponding dampening of the industry worldwide. If the status quo were to continue in the United States, we would expect the current global legalization trend to continue, particularly in Europe, South America and Africa. And if federal prohibition in the United States ends, we expect a surge in cannabis legalization worldwide.

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CHAPTER VI
U.S. and International Cannabis Market Estimates

Global Market Overview

Cannabis is the most widely cultivated, produced, trafficked and consumed drug worldwide, according to the United Nations Office on Drugs and Crime (UNODC). In 2003, the UNODC estimated that the global illegal cannabis market was $113 billion, with 160 million consumers. The UNODC continues to estimate the number of cannabis users worldwide and recently estimated that 183 million people globally between the ages of 15 and 64, or more than 4% of this age group, consumed cannabis in 2015.

In 2010, the RAND Corporation (RAND) estimated that the U.S. illegal cannabis market was $40 billion. Adjusting this estimate solely for inflation and population growth, the U.S. illegal market would now be approximately $48 billion.

Both the UNODC and RAND acknowledge the challenges inherent in studying an illegal consumer market, and both allow significant room for error in their estimates. However approximate, their estimates make clear that there is significant global demand for cannabis. Less clear is how quickly illegal markets will transition to legal markets, as well as the extent to which legalization may increase overall demand.

The Legal Cannabis Market: Key Growth Drivers

We believe that numerous factors will increase consumer penetration rates and the overall size of the legal cannabis market. Such factors include the following.

U.S. Federal Legalization. We believe it is a question of when, not if, cannabis becomes federally legal. We predict six developments on the path to federal legalization: (1) the FDA will begin approving individual pharmaceutical-grade drugs derived from cannabis; (2) more states will adopt medical cannabis laws; (3) more states will adopt recreational laws; (4) the FDA will adopt routine approval procedures for drugs with extracts of low-THC/high-CBD cannabis varieties; (5) the FDA will adopt

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routine approval procedures for drugs with extracts of high-THC cannabis varieties; and (6) cannabis parts and derivatives will be removed from the CSA schedules (either incrementally, starting with CBD, or all at once) and will be fully legal for medical and recreational purposes. (We expand on these predicted developments in Chapter IV, U.S. Legal Landscape.) We believe that federal legalization will trigger rapid growth in the U.S. market, propelled by interstate commerce, access to the federal banking system and acceleration of the cannabis-derived pharmaceuticals market. A change in the federal status of cannabis in the United States will not only drive U.S. market growth, but should provide a significant catalyst to the market worldwide.

Increasing Awareness of the Medical Efficacy of Cannabis. In aggregate, across all U.S. state laws, cannabis is legally recognized as a form of therapy or medicine for more than 50 medical conditions. In addition, at least 20 countries have medical laws that facilitate patient access to cannabis or concentrates for treating specified medical conditions. We believe that countries and U.S. states will continue to adopt and enhance legal frameworks for the medicinal use of cannabis products. In addition, we believe that many more cannabis consumers will emerge as research on cannabis increasingly demonstrates its medical efficacy and as more therapeutic products are developed and brought to market.

Increasing Recreational Legalization. Most laws facilitating access to cannabis, both in U.S. states and abroad, are medical laws. However, Uruguay and eight U.S. states have enacted recreational laws permitting the commercial production and sale of cannabis to adults for recreational and other uses (and Canada is widely expected to do so in mid-2018). In the handful of jurisdictions that started with medical laws and later adopted recreational laws—particularly in Colorado, Washington and Oregon—adoption of recreational laws has led to significant growth in overall market size and a rapid increase in the percentage of the market represented by recreational consumers. We expect 2018 will be a watershed year for the recreational market, with the implementation of California's new recreational law and the expected approval and implementation of Canada's recreational law. If these laws stimulate demand, as expected, and are otherwise viewed as successful, we expect more U.S. states and additional countries to follow suit with similar laws.

Broadening Range of Cannabis Consumer Products. Product innovation and advancements in cannabis varieties, concentrates, infused products, vaporizing technology and cannabis-derived pharmaceutical products will drive consumer adoption and spending. Cannabis consumer product companies will seek to differentiate their products through marketing, distribution, packaging, selection, quality and pricing. We believe that product differentiation and availability will be more prevalent in legal cannabis markets and will drive consumer transition from illegal to legal markets.

Declining Prices in U.S. State-Legal Cannabis Markets. The supply of cannabis has increased considerably with expanded state legalization in the United States. This increase has started to dampen retail and wholesale prices in various markets. As prices decline, we are starting to see closer price parity between state-legal and illegal markets (in the United States, cannabis is generally priced lower in illegal markets than in state-legal markets). Lower retail prices in state-legal markets should accelerate consumer transition from illegal to state-legal markets and drive increased overall penetration rates. However, state and local taxes will continue to impact pricing for cannabis products in state-legal cannabis markets.

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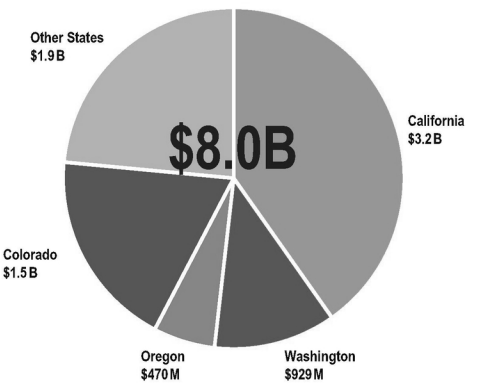
U.S. State-Legal Cannabis Market

More than 97% of the U.S. population lives in a state or district (District of Columbia) with at least one law that permits the manufacturing, distribution, dispensing or possession of cannabis or concentrates. As described in more detail in Chapter IV, U.S. Legal Landscape, most of these laws are medical laws, and only eight states have enacted recreational laws. While the overall state-legal market has grown significantly, the addressable market has been constrained due to the lack of access to purely recreational consumers and the sometimes-narrow scope of medical conditions that qualify a patient to access medical cannabis.

We estimate that the 2017 U.S. state-legal cannabis market was $8.0 billion, with more than four million consumers. The breakdown of this estimate by state is shown in the following chart.

2017 U.S. State-Legal Cannabis Market Estimate



Source: Ackrell Capital

Recreational Sales as a Key Market Driver

Of the eight states that have enacted recreational laws, all had previously implemented medical laws. As shown in the following graphs for the three largest states to implement recreational laws, implementation of a recreational law significantly expanded the overall size of the legalized cannabis market, doubling the size of the market in each of these states in the first full calendar year after implementation. In addition, the percentage of the total market attributable to recreational consumers increased quickly. This indicates significant, pent-up consumer demand for legal cannabis in the United States, and we expect a significant increase in the size of the overall state-legal market as more states implement recreational laws.

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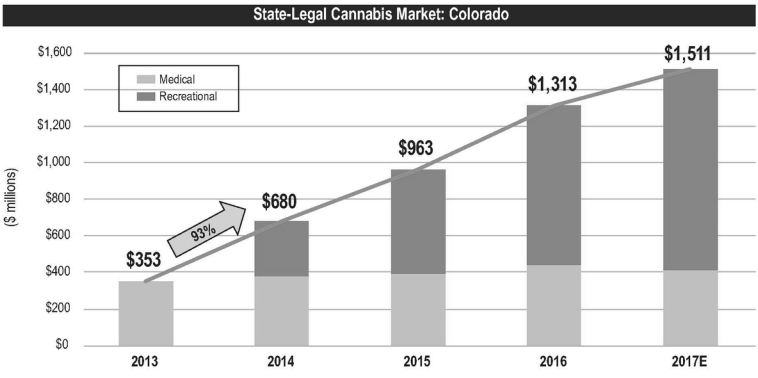
Colorado

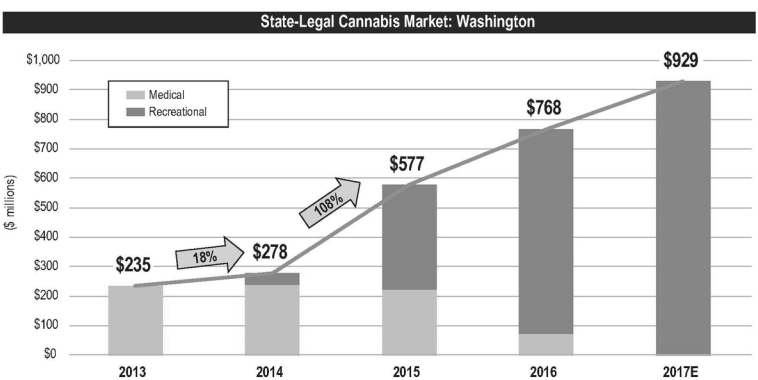
Colorado implemented a medical law in 2000 and a recreational law in 2014. The following graph shows the impact of Colorado's recreational law on the overall market in the state.



Source: Ackrell Capital

Washington

Washington implemented a medical law in 1998 and a recreational law in July 2014, and folded its medical law into its recreational law in 2017. The following graph shows the impact of these laws on the overall market in the state.



Source: Ackrell Capital

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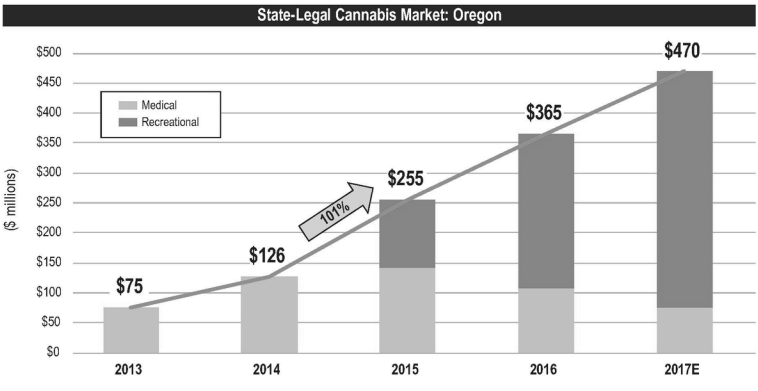
Oregon

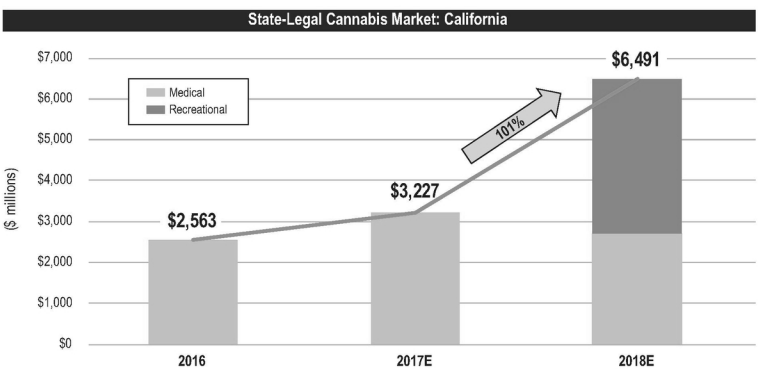
Oregon implemented a medical law in 1998 and a recreational law in 2015. The following graph shows the impact of Oregon's recreational law on the overall market in the state.



Source: Ackrell Capital

California

In 1996, California became the first U.S. state to implement a medical law. In November 2016, the state enacted a recreational law, the implementation of which is scheduled to begin in January 2018. The following graph shows the impact that California's recreational law is expected to have on the overall market in the state.



Source: Ackrell Capital

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U.S. Legalized Cannabis Market Forecast

Forecast Methodology

The cannabis industry is driven by consumers, similar to other highly regulated industries such as alcohol, tobacco and pharmaceuticals. Consequently, our methodology for forecasting the U.S. legalized cannabis market is based primarily on the following factors: (i) the number of eligible U.S. consumers, grouped by age; (ii) the penetration rate for each consumer age group; and (iii) the average monthly spending for each consumer age group.

We believe that the variable which will most impact the future size of the U.S. legalized cannabis market is the federal legalization process. How and when federal legalization occurs will impact other primary drivers of the market, including the number of eligible consumers, penetration rates and consumer spending. We predict six developments relating to federal legalization: (1) the FDA will begin approving individual pharmaceutical-grade drugs derived from cannabis; (2) more states will adopt medical cannabis laws; (3) more states will adopt recreational laws; (4) the FDA will adopt routine approval procedures for drugs with extracts of low-THC/high-CBD cannabis varieties; (5) the FDA will adopt routine approval procedures for drugs with extracts of high-THC cannabis varieties; and (6) cannabis parts and derivatives will be removed from the CSA schedules (either incrementally, starting with CBD, or all at once) and will be fully legal for medical and recreational purposes. (We expand on these predicted developments in Chapter IV, U.S. Legal Landscape.)

We do not predict that these developments necessarily will occur in the order presented. We do expect some of them to develop in parallel, and none of them depends fundamentally on any other. For example, Congress could cause development (6) at any time by passing legislation that removes cannabis from the CSA schedules and establishes a national framework for recreational and medical cannabis regulation. Developments (1) through (3) largely reflect incremental developments within the existing legal environment. We do not expect developments (4), (5) or (6) to occur during the current presidential term, but we believe that there is a reasonable chance development (4) could begin within the next five years and development (5) could occur within two years thereafter. In total, we believe that it could take up to 10 years or more before the federal legalization process reaches development (6) and cannabis becomes fully legal under federal law. For our analysis, we assume (i) development (4) begins in 2023, (ii) development (5) follows two years thereafter and (iii) development (6) occurs by 2027 and cannabis becomes fully legal in the United States. (The reader is cautioned that cannabis may never be legalized federally in the United States.)

Eligible U.S. Consumers

We used U.S. Census data to identify the number of people in the United States aged 21 years or older. While some therapeutic applications of cannabis are targeted at people under 21 years of age, we excluded this group of consumers from our estimates. We assumed a nominal annual growth rate for the U.S. population. With more than 97% of the U.S. population currently living in a state or district with at least one law that permits the manufacturing, distribution, dispensing or possession of cannabis or concentrates, we view the potential pool of eligible consumers to be virtually the entire U.S. adult population.

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Consumer Penetration Rates

We assigned current and prospective consumer penetration rates to each state based on our assessment of whether legal consumer access to cannabis in the state should be characterized as "limited," "moderate" or "broad." This assessment was based in part on (i) the nature of the cannabis laws in each state and (ii) the extent of the cannabis dispensary network in each state. We assigned a specific penetration rate to each age group, with the 21–29 age group having the highest and the 70+ age group having the lowest.

Consumer penetration rates are significantly affected by the available channels for legal access to cannabis. States that have only medical laws typically have lower penetration rates than states having both medical and recreational laws because the qualifying-condition requirement of medical laws precludes many potential consumers. Similarly, penetration rates are impacted by the widely varying number and nature of qualifying medical conditions designated by medical laws. States that designate many conditions or highly subjective conditions such as "chronic pain" tend to have higher penetration rates than states that designate relatively few or highly specific conditions.

Penetration rates also are affected by the reach of a state's cannabis dispensary network. Some states have extensive dispensary networks that provide convenient access to cannabis for most consumers. Other states have a limited number of dispensaries or networks that reach only urban areas; restricted networks can be the result of factors such as the amount of time a state has permitted legal cannabis access and the prevalence of county and municipal laws restricting (or in some cases, completely banning) dispensary operations.

Prior to federal legalization, we expect U.S. penetration rates to increase as states implement new medical and recreational laws and expand the scope of qualifying medical conditions under existing medical laws, and as the FDA begins approving pharmaceutical-grade drugs derived from cannabis. Although we believe penetration rates in states with recreational laws and robust dispensary networks may fairly represent penetration rates after federal legalization, penetration rates may increase further as the medical efficacy of cannabis becomes better understood and negative perceptions of cannabis diminish. Following federal legalization, we believe penetration rates may ultimately be as high as (or higher than) those in other consumer-driven industries, such as alcohol, tobacco and pharmaceuticals. The consumer penetration rates used in our analysis are as follows.

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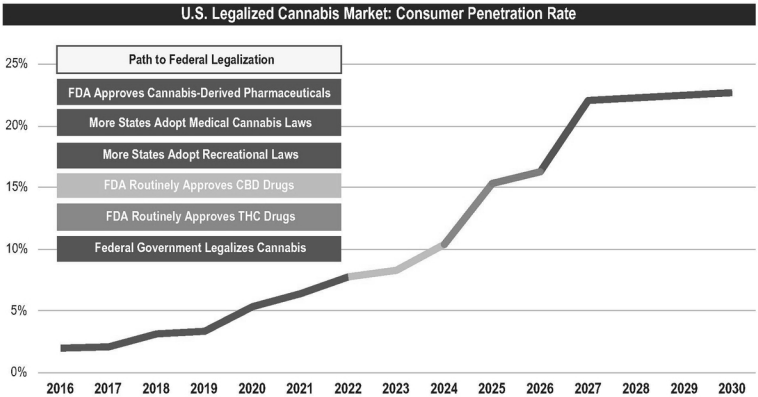
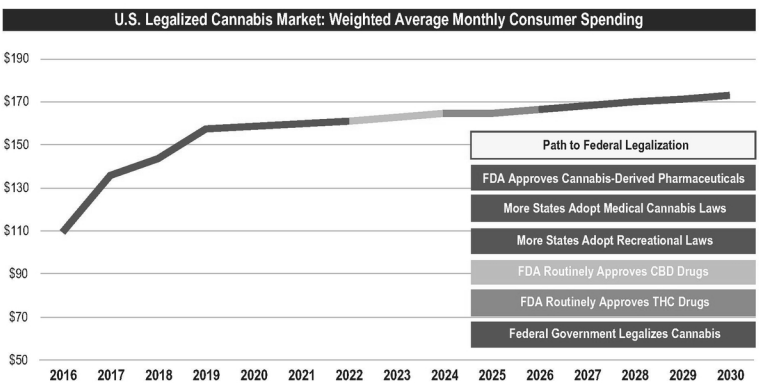


Source: Ackrell Capital

Monthly Cannabis Spending

We estimated average monthly spending on cannabis using data provided by dispensaries in states with recreational laws. We then assigned spending levels (low, moderate and heavy) to each age group of eligible consumers by state. The resulting weighted averages of monthly consumer spending used in our analysis are as follows.



Source: Ackrell Capital

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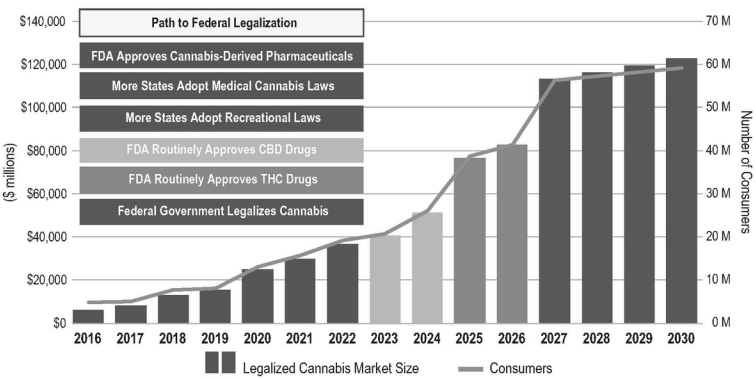
U.S. Legalized Cannabis Market Estimates

Based on our assumptions and methodology, we believe that the U.S. legalized cannabis market will ultimately exceed $100 billion annually, with more than 50 million consumers. As shown in the following graph, we believe these levels will be reached after the federal government legalizes cannabis.

U.S. Legalized Cannabis Market



Source: Ackrell Capital. Assumes cannabis will be legalized federally by 2027. Cannabis may never be legalized federally in the United States.

Because penetration rate and average monthly spending assumptions significantly affect our forecast, we illustrate this impact with the following sensitivity analysis, which shows the estimated market size in 2030 using a range of penetration rates and monthly spending averages.

2030 U.S. Legalized Cannabis Market Size: Sensitivity Analysis

($ millions)		Average Monthly Consumer Spending				
		$100	$125	$150	$175	$200
Adult Population Penetration Rate	5%	$13,954	$17,442	$20,930	$24,419	$27,907
	10%	27,907	34,884	41,861	48,838	55,814
	15%	41,861	52,326	62,791	73,256	83,722
	20%	55,814	69,768	83,722	97,675	111,629
	25%	69,768	87,210	104,652	122,094	139,536
	30%	83,722	104,652	125,582	146,513	167,443
	35%	97,675	122,094	146,513	170,932	195,350

Source: Ackrell Capital

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Methodology and Estimates: Industry Comparisons

To evaluate our methodology and results, we compare estimated values from our model with values for the same parameters in markets for certain other stimulants and pharmaceuticals. We believe that this comparison is useful because cannabis is used recreationally in much the same way alcohol, coffee and tobacco are used, and because cannabis may be an alternative to pharmaceuticals currently used to treat a range of medical conditions. The following table compares the estimated penetration rate, average monthly consumer spending and U.S. retail market size for a number of common stimulants and pharmaceutical categories.

Comparison between Cannabis and Common Stimulants and Substances

	Alcohol	Coffee	Tobacco	Painkillers	Anti-depressants	Cannabis (Future)
Primary Usage	Recreational	Recreational	Recreational	Medicinal	Medicinal	Recreational / Medicinal
Adult Penetration %	50%	50%	17%	40%	25%	20%
Monthly Consumer Spending	$45 to $200	$80 to $100	$40 to $80	$50 to $200	$50 to $100	$50 to $500
U.S. Retail Market Size	$200B	$35B	$100B	$300B	$60B	$100B

Source: Ackrell Capital

This comparison demonstrates that our U.S. legalized cannabis market estimates are in line with U.S. retail markets for alcohol, coffee, tobacco, and pharmaceutical painkillers and antidepressants.

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International Legal Cannabis Market Forecast

As previously discussed, cannabis is the most widely consumed drug worldwide: an estimated 183 million people between the ages of 15 and 64 consumed cannabis in 2017. Cannabis legalization is gaining momentum around the world. At least 20 countries now have medical laws that facilitate patient access to cannabis or concentrates for treating specified medical conditions. Select countries with such laws include Australia, Canada, Colombia and Germany; countries without such laws include China, Japan, Russia and the United States. While the merits of medical cannabis are currently driving legalization, we believe that—like Uruguay and numerous U.S. states—other countries will ultimately enact and implement recreational laws.

Canada's legal cannabis market (presently limited to medical cannabis) is currently the largest federally legal cannabis market in the world, estimated at $1.5 billion in 2017. We anticipate that Canada will enact and implement its proposed recreational Cannabis Act in mid-2018 and that implementation will significantly expand the size of Canada's overall market.

International Market Size Estimate Methodology

Similar to the methodology for our U.S. estimates, the primary factors for our international legal cannabis market estimates are the estimated number of eligible consumers, penetration rates and monthly spending. Of course, these and other factors affecting market size vary considerably across continents and regions because each country has its own unique market characteristics, including laws, culture, religions, consumer preferences and disposable income.

We do not attempt to estimate the timing of legal changes that affect consumer penetration rates. Rather, we estimate the size of potential international markets at maturity when penetration rates have stabilized. The time required for markets in particular countries to reach maturity will vary widely and, like the U.S. market, could be 10 years or more.

To estimate average monthly consumer spending, we analyzed a country's per capita average monthly income and assumed a certain percentage was spent on cannabis products. The resulting estimates of monthly spending in developed countries differs vastly from that in developing countries.

International Market Size Estimates

Our estimates for the international legal cannabis market include estimates for select countries with medical or recreational laws and certain countries we believe may develop into legal markets for cannabis in the foreseeable future. The following table lists each identified country, ranked by Gross Domestic Product (GDP), with its estimated adult population, monthly cannabis consumer spending and potential market value.

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Emerging and Anticipated International Legal Cannabis Markets

Country	GDP Rank	2017 Estimated Adult Population (in millions)	Projected Monthly Consumer Spending ($)	Potential Market Value ($ millions)
Select Countries with Medical or Recreational Laws				
Germany	4	59.0	$78 – $155	$16,518
Brazil	8	150.5	16 – 31	8,524
Italy	9	42.5	56 – 112	8,599
Canada	10	26.6	78 – 155	7,453
Australia	13	12.2	97 – 194	4,268
Mexico	16	92.9	16 – 32	5,380
Turkey	17	58.3	20 – 40	4,178
Netherlands	18	12.2	82 – 165	3,632
Switzerland	20	5.8	145 – 289	2,999
Argentina	21	23.0	21 – 43	1,766
Poland	24	27.4	23 – 45	2,223
Israel	32	5.8	64 – 129	1,336
Colombia	37	35.3	11 – 22	1,429
Chile	44	13.0	24 – 48	1,124
Peru	48	23.0	11 – 21	878
Czech Republic	51	7.9	31 – 62	890
Greece	52	7.9	34 – 67	962
Uruguay	78	2.2	27 – 54	211
Croatia	84	2.9	22 – 43	223
Jamaica	120	2.2	8 – 17	65
Macedonia	132	1.4	9 – 18	46
Lesotho	163	1.4	2 – 4	11
Certain Additional Countries				
United Kingdom	5	47.5	75 – 151	12,908
India	6	964.1	3 – 6	10,379
France	7	48.2	69 – 139	12,040
Spain	14	33.1	49 – 98	5,841
Sweden	23	7.2	97 – 194	2,520
South Africa	35	40.3	10 – 20	1,416
Portugal	49	7.2	35 – 71	916
			Midpoint Weighted Average $28	**Total $118,735**

Source: Ackrell Capital

The projected market value for each country shown in the preceding table is calculated assuming a 20% penetration rate and the midpoint of the projected average monthly spending range. Because each country's penetration rate and monthly spending will vary considerably and are difficult to predict, we

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illustrate the impact of varying these factors with the following sensitivity analysis, which shows the estimated market size at maturity using a range of penetration rates and monthly spending weighted averages.

International Legal Cannabis Market Size: Sensitivity Analysis

($ millions)		Weighted Average Monthly Consumer Spending				
		$10	$20	$30	$40	$50
Adult Population Penetration Rate	5%	$10,606	$21,211	$31,817	$42,422	$53,028
	10%	21,211	42,422	63,634	84,845	106,056
	15%	31,817	63,634	95,450	127,267	159,084
	20%	42,422	84,845	127,267	169,690	212,112
	25%	53,028	106,056	159,084	212,112	265,140
	30%	63,634	127,267	190,901	254,534	318,168
	35%	74,239	148,478	222,718	296,957	371,196

Source: Ackrell Capital

Based on the preceding assumptions and methodology, we believe that the international legal cannabis market for select countries with medical or recreational laws and certain countries we believe may develop into legal markets for cannabis has the potential to exceed $200 billion within the next 10 to 15 years. And as discussed earlier in this chapter, we forecast the U.S. legal cannabis market to reach more than $100 billion in this same period. Together, these two forecasts indicate a global legal cannabis market in the foreseeable future of more than $300 billion.

In our view, most countries located in Asia will take the longest to enact and implement cannabis access laws; therefore, we have not included the markets in countries such as China, with a population of 1.4 billion people, or Japan, with the third highest GDP in the world, in our global market estimate. If cannabis legalization continues in the United States and the rest of the world as we anticipate, we believe that many countries in Asia will ultimately follow suit. If and when that occurs, the size of the global legal cannabis market will increase significantly and, we believe, may ultimately exceed $500 billion annually.

As discussed on page 175, readers are cautioned to not place undue reliance on our opinions, predictions or estimates. Almost certainly, our opinions, predictions and estimates will prove inaccurate in some respects. A number of factors could cause actual results or events to differ materially from those indicated by our opinions, predictions and estimates. U.S. states and countries abroad may reverse their cannabis legalization efforts. The medical efficacy of cannabis may not prove to be significant. Cannabis may never be legalized federally in the United States. Certain factors affecting the cannabis industry are discussed in more detail in Chapter IX, Cannabis Industry Risk Factors.

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CHAPTER VII
Capital Markets for Cannabis Companies

Capital Markets Overview

Hundreds, if not thousands, of cannabis-related companies are seeking to raise capital—thus presenting investment opportunities for sophisticated investors who want to participate in the cannabis industry. Investors have their choice of investing in the more than 300 publicly traded cannabis-related companies, or in the significant number of private companies raising capital. Investors may also choose among stock markets (both within the United States and internationally), type of security (equity versus debt) and type of company (companies across all segments of the industry are raising capital).

It is important to note, however, that most of the cannabis-related companies that are raising capital—even publicly traded companies—are in early stages of development, have de minimis revenue and are not profitable. More than 85% of the publicly traded cannabis-related companies have annual revenue of less than $5 million, and less than 5% have annual revenue greater than $25 million.

Most investors in the cannabis industry today are retail or individual investors. While an increasing number of family office and strategic investors are now participating in the cannabis industry, we believe that many institutional investors (most notably the traditional venture capital and private equity communities) will not invest in the industry until more companies in the industry mature and the legal environment becomes more favorable.

Cannabis-related companies raised more than $2.0 billion in the public and private markets in 2017; however, except for a few transactions of notable size, many of the financings were small (less than $5 million), which provides further evidence that the capital markets are being driven primarily by retail investors. Without traditional institutional investor support, a funding gap exists in the industry: companies are seeking to raise more capital than investors are willing or able to provide. We believe that this is especially true in the private markets, where many companies struggle to raise financing.

We share the belief held by many that, ultimately, established companies from analogous industries—alcohol, pharmaceutical, tobacco and consumer products—will enter the cannabis industry

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through minority investment, by acquisition or otherwise. Examples of the emergence of such strategic investors include Constellation Brands, Inc.'s (NYSE: STZ) approximately $190 million investment in Canopy Growth Corporation (TSX: WEED) and the more than $400 million spent by The Scotts Miracle-Gro Company (NYSE: SMG) to acquire soil, fertilizer, hydroponic equipment and lighting companies that are supplying the cannabis industry. These types of transactions help support the valuation levels in the industry and, to an extent, validate investors' enthusiasm for the industry.

The stock price performance and valuations of cannabis-related companies continue to be robust, irrespective of the aforementioned funding gap. In general, we believe that valuations in both the public and private markets are being driven more by investors' expectations for the future growth of the cannabis industry than by individual company fundamentals. Similarly, especially in the over-the-counter stock market in the United States—where most of the public cannabis-related companies are traded—stock price fluctuations and valuations tend to be heavily influenced by the illiquidity in most stocks and the trading strategies of those involved. Overall, we believe that the capital markets for the cannabis industry will become more efficient and rational over time as we expect increased participation from institutional and strategic investors.

Public Capital Markets

More than 300 cannabis-related companies are traded on one or more stock markets in the United States, Canada and other international locations. Although these companies are publicly traded, most are in early stages of development, have de minimis revenue and are not profitable. We use the term "cannabis-related" to include companies that participate solely in the cannabis industry and those that participate in the cannabis industry in addition to other industries or markets.

The ability of companies to access capital markets is dependent largely on the legal landscape for cannabis in a particular country. For example, the capital markets in countries such as Canada, Australia, Germany and Israel (countries that have a more permissive legal framework for cannabis) have been receptive to cannabis-related companies, while the reception by capital markets in the United States has been more varied.

In evaluating publicly traded companies, an investor should be cognizant of where the company is traded, as there are significant differences across the various exchanges and markets with respect to listing requirements, liquidity, independent research and types of investors. Many cannabis-related companies are traded on more than one market in order to attract additional investors and facilitate trading in multiple jurisdictions. However, we believe that it is instructive to evaluate a company based on the primary market on which it trades (We determine a company's primary market based on a number of factors, including stock price history, trading volume and availability of estimates.)

In the United States, a limited number of cannabis-related companies are traded on the Nasdaq Stock Market (Nasdaq), the New York Stock Exchange (NYSE) and the NYSE American (NYSE American), the NYSE's market for small to mid-size capitalization companies. In addition, more than 200 cannabis-related companies are traded on the over-the-counter stock market (OTC). Nasdaq and

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the NYSE are two of the largest and most recognized stock exchanges in the world, with stringent listing, trading and corporate governance requirements. Conversely, the OTC has much less stringent requirements; as a result, most publicly traded cannabis-related companies are traded on the OTC.

In Canada, cannabis-related companies are traded on the Toronto Stock Exchange (TSX), the TSX Venture Exchange (TSXV), which is an affiliate of the TSX, and the Canadian Securities Exchange (CSE). The TSX is one of the world's largest stock exchanges and, similar to Nasdaq and the NYSE, has stringent listing, trading and corporate governance requirements. The TSXV focuses on companies with small market capitalization and has less stringent listing requirements than the TSX. The CSE is focused on micro capitalization and emerging growth companies, and it has the least stringent listing requirements of the primary Canadian exchanges. In order to be listed on either the TSX or the TSXV, a company is required to be in compliance with Canada's Access to Cannabis for Medical Purposes Regulations (ACMPR) and all applicable laws in jurisdictions within which it operates. (Operations of listed companies are restricted in jurisdictions, such as the United States, where cannabis is federally prohibited.) Unlike the TSX and TSXV, the CSE has allowed companies listed on its exchange to invest in, acquire and otherwise operate cannabis-related businesses in the United States.

The following table provides a summary of the cannabis-related companies traded on U.S., Canadian and Australian stock markets. As stated previously, many cannabis-related companies are traded on more than one market to attract additional investors and facilitate trading in multiple jurisdictions. For example, most companies traded on the Canadian markets are also traded on the OTC.

Summary of Publicly Traded Cannabis-Related Companies

(As of November 30, 2017)		Average ($U.S. millions)					
	Number of Companies	Market Value	Enterprise Value	Cash	Debt	LTM Revenue	LTM EBITDA
Nasdaq	4	$1,033.6	$884.5	$153.6	$4.5	$44.0	–$81.1
NYSE	1	63.5	41.3	22.2	0.0	4.6	–1.2
NYSE American	2	152.1	145.7	7.8	1.4	7.3	–6.5
OTC	212	46.3	65.5	5.7	25.0	14.0	0.2
United States	219	$65.5	$81.2	$8.5	$24.3	$14.5	–$1.4
Toronto Stock Exchange (TSX)	6	$1,361.5	$1,311.4	$71.0	$20.8	$26.6	$0.8
TSX Venture Exchange (TSXV)	20	131.5	123.9	10.8	3.3	1.2	–3.5
Canadian Securities Exchange (CSE)	41	72.6	72.0	2.0	1.4	1.8	–2.8
Canada	67	$210.6	$203.3	$11.1	$3.8	$4.0	–$2.2
Australian Securities Exchange (ASX)	14	$85.3	$80.1	$5.9	$0.7	$0.9	–$2.1
Australia	14	$85.3	$80.1	$5.9	$0.7	$0.9	–$2.1

Source: S&P Global Market Intelligence. Companies that are traded on more than one market are included in their primary market as determined by S&P Global Market Intelligence, based on stock price history, trading volume and availability of estimates. Enterprise Value is defined as Market Value plus Debt minus Cash and Cash Equivalents. LTM is Last Twelve Months. EBITDA is defined as Earnings Before Interest, Taxes, Depreciation and Amortization.

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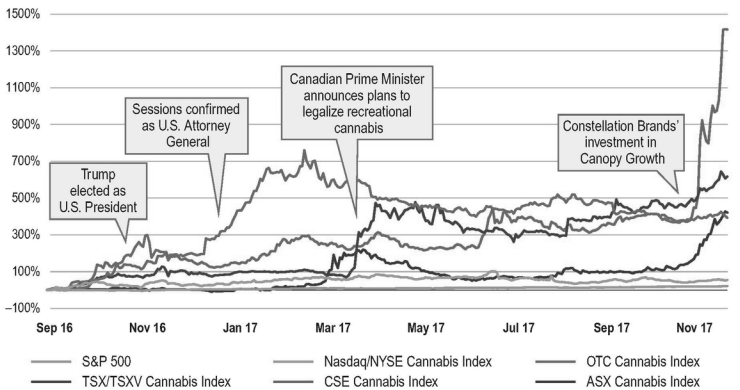
Stock Price Performance of Publicly Traded Cannabis-Related Companies

The following chart shows the stock price performance of publicly traded cannabis-related companies since September 30, 2016. As shown in the chart, the stock price performance of cannabis-related companies trading on Canadian markets received a boost from the announcement of the proposed recreational cannabis legislation in Canada by Prime Minister Justin Trudeau and, more recently, from Constellation Brands' investment in Canopy Growth. Similarly, the continuing positive price performance of cannabis-related companies trading on U.S. markets has not been slowed by the election of Donald Trump as President and the selection of Jeff Sessions as Attorney General of the United States (two events that were viewed by many as potentially having a negative impact on the U.S. cannabis industry).

Global Cannabis Stock Price Performance



Source: S&P Global Market Intelligence

Capital Raised by Publicly Traded Cannabis-Related Companies

The following table shows the amount of capital (equity and debt) raised by cannabis-related companies traded on the U.S., Canadian and Australian stock markets in the twelve months ended September 30, 2017. While more than $1.3 billion was raised, the data indicates that relatively few companies were able to raise capital, given the aggregate number of publicly traded cannabis-related companies, and the amount raised per transaction was small, supporting the assertion that the market is still driven primarily by retail investors.

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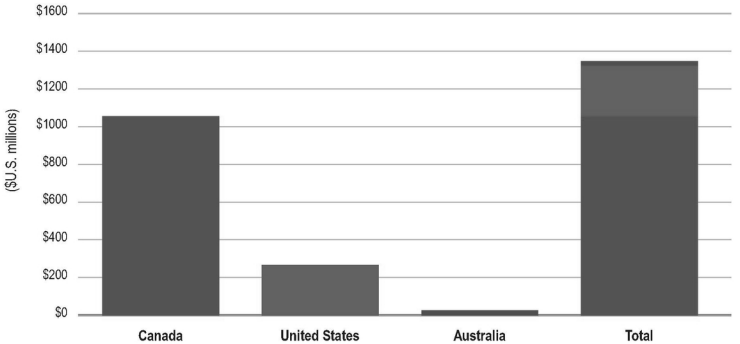
Capital Raised by Publicly Traded Cannabis-Related Companies (LTM ended September 30, 2017)



	Canada	United States	Australia	Total
Amount Raised	$1056	$268	$26	$1350
Number of Deals	60	15	3	78
Average Deal Size	$18	$18	$9	$17

Source: S&P Global Market Intelligence. In December 2017, a $317 million financing was completed by GW Pharmaceuticals (Nasdaq: GWPH), but the transaction occurred outside the date range of the analysis. Due to the size of the transaction, it is worth noting here.

Public Capital Markets: United States

As of November 30, 2017, four cannabis-related companies were trading on Nasdaq (all in the pharmaceutical industry and focused on receiving FDA approval for selected cannabinoid applications), one was trading on the NYSE (a real estate investment trust, or REIT, focused on the acquisition and management of properties leased to state-licensed operators for their regulated medical-use cannabis facilities), two were trading on the NYSE American (both in the pharmaceutical industry) and more than 200 cannabis-related companies were trading on the OTC.

Most of the companies trading on the OTC (i) are "penny" stocks that trade at less than $5.00 per share, (ii) have limited trading volume and liquidity, (iii) have significant price volatility, and (iv) have little or no institutional investor support. The U.S. Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA) have historically expressed concerns regarding the "penny" stock industry in general and both have issued alerts to warn investors about potential scams associated with purported cannabis-related stocks. In addition, the SEC has initiated actions against numerous purported cannabis-related companies and executives for fraud, insider trading, stock manipulation and other activities.

The following table provides a summary of cannabis-related companies traded on the U.S. stock markets.

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Summary of U.S. Publicly Traded Cannabis-Related Companies

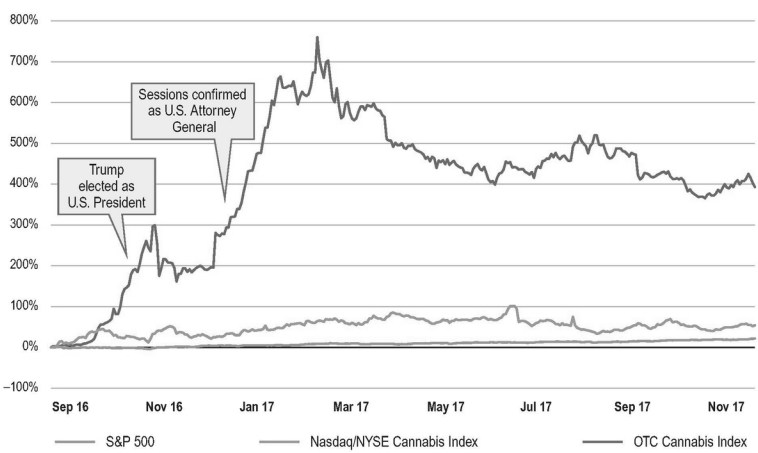
(As of November 30, 2017)		Average ($U.S. millions)					
	Number of Companies	Market Value	Enterprise Value	Cash	Debt	LTM Revenue	LTM EBITDA
Nasdaq	4	$1,033.6	$884.5	$153.6	$4.5	$44.0	–$81.1
NYSE	1	63.5	41.3	22.2	0.0	4.6	–1.2
NYSE American	2	152.1	145.7	7.8	1.4	7.3	–6.5
OTC	212	46.3	65.5	5.7	25.0	14.0	0.2
United States	219	$65.5	$81.2	$8.5	$24.3	$14.5	–$1.4

Source: S&P Global Market Intelligence. Companies that are traded on more than one market are included in their primary market as determined by S&P Global Market Intelligence, based on stock price history, trading volume and availability of estimates. Enterprise Value is defined as Market Value plus Debt minus Cash and Cash Equivalents. LTM is Last Twelve Months. EBITDA is defined as Earnings Before Interest, Taxes, Depreciation and Amortization.

Stock Price Performance of U.S. Publicly Traded Cannabis-Related Companies

The following chart shows the stock price performance of selected publicly traded cannabis-related companies in the United States since September 30, 2016. As shown in this chart, the election of Donald Trump as President and the selection of Jeff Sessions as Attorney General of the United States have not slowed the continuing positive price performance of cannabis-related companies trading on U.S. markets.

U.S. Cannabis Stock Price Performance



Source: S&P Global Market Intelligence

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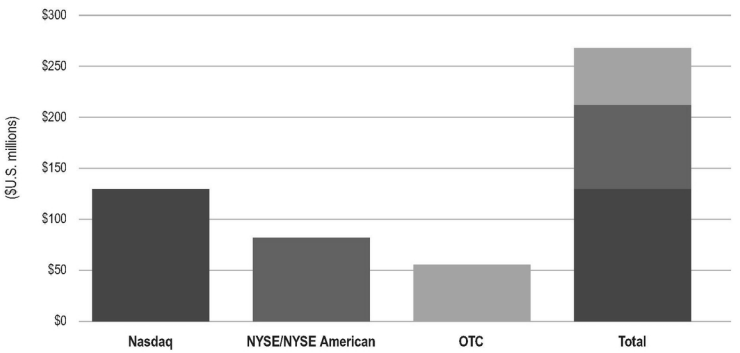
Capital Raised by U.S. Publicly Traded Cannabis-Related Companies

The following table shows the amount of capital (equity and debt) raised by cannabis-related companies traded on U.S. stock markets in the twelve months ended September 30, 2017. Although more than 200 cannabis-related companies were traded on the OTC during this period, the data indicates that very few raised meaningful capital.

Capital Raised by U.S. Publicly Traded Cannabis-Related Companies (LTM ended September 30, 2017)



	Nasdaq	NYSE/NYSE American	OTC	Total
Amount Raised	$130	$82	$56	$268
Number of Deals	2	2	11	15
Average Deal Size	$65	$41	$5	$18

Source: S&P Global Market Intelligence. In December 2017, a $317 million financing was completed by GW Pharmaceuticals (Nasdaq: GWPH), but the transaction occurred outside the date range of the analysis. Due to the size of the transaction, it is worth noting here.

Financial Data and Trading Multiples of U.S. Publicly Traded Cannabis-Related Companies

The following tables show selected financial and trading information of cannabis-related companies that are publicly traded on U.S. markets. As the tables indicate, with few exceptions, these companies have little to no revenue and are not profitable. Consequently, most trading multiples are not meaningful and the companies tend to trade more on expectations for the overall cannabis industry than on specific company fundamentals (especially for those companies traded on the OTC).

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Nasdaq

($U.S. millions, except stock price)

Company	Ticker	Stock Price 11/30/17	% Below 52-Week High	Market Value	Enterprise Value (EV)	LTM Revenue	LTM EBITDA	LTM EV Multiples		Forward Revenue Multiples		Forward EBITDA Multiples	
								Revenue	EBITDA	2018	2019	2018	2019
Cara Therapeutics, Inc.	NasdaqGM:CARA	$12.45	56.3%	$406.0	$303.0	$0.9	–$65.8	NM	NM	NM	86.1x	NM	NM
GW Pharmaceuticals plc	NasdaqGM:GWPH	124.49	9.1%	3,153.2	2,847.7	11.0	–191.6	NM	NM	NM	11.4	NM	NM
INSYS Therapeutics, Inc.	NasdaqGM:INSY	5.30	64.7%	388.6	266.9	164.1	–35.6	1.6x	NM	1.7x	1.4	NM	6.4x
Zynerba Pharmaceuticals, Inc.	NasdaqGM:ZYNE	13.77	46.9%	186.6	120.4	0.0	–31.2	NM	NM	NM	NM	NM	NM
		Median	**51.6%**	**$397.3**	**$285.0**	**$6.0**	**–$50.7**	**1.6x**	**NM**	**1.7x**	**11.4x**	**NM**	**6.4x**

New York Stock Exchange and NYSE American

($U.S. millions, except stock price)

Company	Ticker	Stock Price 11/30/17	% Below 52-Week High	Market Value	Enterprise Value (EV)	LTM Revenue	LTM EBITDA	LTM EV Multiples		Forward Revenue Multiples		Forward EBITDA Multiples	
								Revenue	EBITDA	2018	2019	2018	2019
22nd Century Group, Inc.	AMEX:XXII	$2.33	33.4%	$287.9	$273.2	$14.0	–$11.3	19.5x	NM	12.7x	10.7x	NM	NM
India Globalization Capital, Inc.	AMEX:IGC	0.58	27.6%	16.3	18.2	0.6	–1.6	28.8	NM	NA	NA	NA	NA
Innovative Industrial Properties, Inc.	NYSE:IIPR	18.15	11.5%	63.5	41.3	4.6	–1.2	9.0	NM	2.4	1.3	3.7x	1.6x
		Median	**27.6%**	**$63.5**	**$41.3**	**$4.6**	**–$1.6**	**19.5x**	**NM**	**7.6x**	**6.0x**	**3.7x**	**1.6x**
Ancillary													
Constellation Brands, Inc.	NYSE:STZ	$217.59	4.2%	$42,572.2	$51,393.3	$7,458.5	$2,709.3	6.9x	19.0x	6.7x	6.3x	18.3x	16.6x
The Scotts Miracle-Gro Company	NYSE:SMG	98.90	3.5%	5,689.7	6,969.0	2,642.1	500.0	2.6	13.9	2.5	2.4	12.9	12.0
		Median	**3.9%**	**$24,131.0**	**$29,181.2**	**$5,050.3**	**$1,604.7**	**4.8x**	**16.5x**	**4.6x**	**4.3x**	**15.6x**	**14.3x**

Source: S&P Global Market Intelligence. Not Meaningful (NM) used for negative multiples, and for revenue multiples greater than 100.0x and EBITDA multiples greater than 50.0x. Not Available (NA) used for information that is not available. Enterprise Value is defined as Market Value plus Debt minus Cash and Cash Equivalents. LTM is Last Twelve Months. EBITDA is defined as Earnings Before Interest, Taxes, Depreciation and Amortization.

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Over The Counter (Market Value Greater than $25 million)

($U.S. millions, except stock price) Company	Ticker	Stock Price 11/30/17	% Below 52-Week High	Market Value	Enterprise Value (EV)	LTM Revenue	LTM EBITDA	LTM EV Multiples Revenue	LTM EV Multiples EBITDA
Abattis Bioceuticals Corp.	OTCQB:ATTBF	$0.22	20.2%	$39.5	$38.8	$0.0	–$3.6	NM	NM
American Cannabis Company, Inc.	OTCQB:AMMJ	0.75	40.5%	38.6	36.7	2.9	0.3	12.7x	NM
AmeriCann, Inc.	OTCQB:ACAN	2.03	63.1%	39.3	42.4	0.0	–1.8	NM	NM
Amfil Technologies, Inc.	OTCPK:AMFE	0.15	36.1%	99.7	99.9	0.2	NA	NM	NM
AXIM Biotechnologies, Inc.	OTCQB:AXIM	7.02	64.6%	382.8	387.5	0.0	–2.9	NM	NM
Cannabics Pharmaceuticals Inc.	OTCQB:CNBX	1.02	86.6%	120.7	117.3	0.0	–1.8	NM	NM
Cannabis Leaf, Inc.	OTCPK:PCFP	0.97	61.2%	48.8	48.9	0.0	NA	NM	NM
Cannabis Sativa, Inc.	OTCQB:CBDS	3.95	58.4%	83.8	83.5	0.1	–6.4	NM	NM
Cannabis Science, Inc.	OTCPK:CBIS	0.06	56.3%	155.4	158.1	0.0	–9.6	NM	NM
Cannabix Technologies Inc.	OTCPK:BLOZ.F	1.19	37.4%	103.0	100.5	0.0	NA	NM	NM
CannaGrow Holdings, Inc	OTCPK:CGRW	0.99	57.0%	100.3	102.7	1.7	–1.4	62.0	NM
Corix Bioscience, Inc.	OTCQB:CXBS	1.19	45.9%	29.6	29.6	0.0	NA	NM	NM
Earth Science Tech, Inc.	OTCPK:ETST	0.81	79.5%	32.0	31.9	0.4	NA	74.1	NM
Evergreen-Agra Global	OTCQB:EGRN	1.00	85.7%	26.4	26.4	0.0	–0.4	NM	NM
GB Sciences, Inc.	OTCQB:GBLX	0.24	56.4%	31.3	37.0	0.2	–10.3	NM	NM
General Cannabis Corp.	OTCQB:CANN	1.65	51.6%	37.1	39.5	0.1	–7.4	NM	NM
Green Spirit Industries Inc.	OTCPK:GSRX	5.75	77.0%	172.6	172.6	0.0	NA	NM	NM
GrowGeneration Corp.	OTCQX:GRWG	2.50	13.8%	41.1	39.3	13.1	–1.2	3.0	NM
Helix TCS, Inc.	OTCPK:HLIX	3.00	76.9%	85.9	86.7	3.5	–3.0	24.9	NM
HempTech Corporation	OTCPK:HTCO	1.82	83.9%	100.7	101.7	0.0	–0.5	NM	NM
iAnthus Capital Holdings, Inc.	OTCQB:ITHU.F	1.64	39.1%	61.7	74.3	0.1	NA	NM	NM
Kush Bottles, Inc.	OTCQB:KSHB	2.84	20.2%	170.4	170.2	18.8	0.8	9.1	NM
Leafbuyer Technologies, Inc.	OTCPK:LBUY	1.04	72.8%	39.9	39.8	0.9	NA	42.5	NM
Lexaria Bioscience Corp.	OTCQB:LXRP	0.82	18.8%	56.9	54.4	0.1	–1.8	NM	NM
Lifestyle Delivery Systems Inc	OTCQB:LDSY.F	0.50	25.6%	46.0	44.6	0.7	–5.1	65.3	NM
Marijuana Company of America	OTCPK:MCOA	0.03	76.8%	54.6	55.0	0.0	–21.9	NM	NM
MariMed Inc.	OTCQB:MRMD	0.70	16.3%	119.8	119.8	0.0	NA	NM	NM
mCig, Inc.	OTCQB:MCIG	0.17	66.1%	68.5	67.0	7.7	1.2	8.7	NM
Medical Marijuana, Inc.	OTCPK:MJNA	0.10	55.1%	307.1	317.7	8.0	–3.9	39.7	NM
Medicine Man Technologies, Inc.	OTCQB:MDCL	1.79	43.2%	39.2	39.0	2.4	–5.5	16.2	NM
OWC Pharmaceutical Research	OTCQB:OWCP	0.48	85.2%	70.1	69.0	0.1	–4.7	NM	NM
PharmaCyte Biotech, Inc.	OTCQB:PMCB	0.05	71.6%	46.7	42.4	0.0	NA	NM	NM
Player's Network, Inc.	OTCQB:PNTV	0.08	66.1%	45.0	45.9	0.2	–4.7	NM	NM
Praetorian Property, Inc.	OTCPK:PRRE	0.52	75.8%	81.1	93.5	14.1	NA	6.6	NM
SanSal Wellness Holdings, Inc.	OTCPK:SSWH	0.95	29.6%	55.9	57.4	0.6	–1.5	NM	NM
Stony Hill Corp.	OTCPK:STNY	2.50	50.0%	39.0	38.8	0.2	NA	NM	NM
Surna Inc.	OTCQB:SRNA	0.15	35.5%	29.6	28.3	6.9	–3.3	4.1	NM
Terra Tech Corp.	OTCQX:TRTC	0.20	42.1%	178.2	173.6	31.9	–18.6	5.4	NM
THC Therapeutics, Inc.	OTCPK:THCT	0.34	60.6%	39.7	39.7	0.0	0.0	NM	NM
The Tinley Beverage Company	OTCPK:QRSR.F	0.56	15.2%	41.4	38.8	0.1	NA	NM	NM
United Cannabis Corporation	OTCQB:CNAB	0.78	69.0%	46.7	46.0	0.5	NA	99.2	NM
Vitality Biopharma, Inc.	OTCQB:VBIO	1.85	56.4%	42.7	41.9	0.1	–4.3	NM	NM
WEED, Inc.	OTCPK:BUDZ	2.79	44.8%	279.0	278.5	0.0	–5.2	NM	NM
WOWI, Inc.	OTCPK:WOWU	1.65	67.0%	53.6	54.7	0.0	–26.0	NM	NM
		Median	**56.4%**	**$54.1**	**$54.5**	**$0.1**	**–$3.4**	**16.2x**	**NM**

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Comparison of U.S. Stock Markets

U.S. stock markets vary significantly in terms of their financial, liquidity and corporate governance requirements. Most U.S. publicly traded cannabis-related companies trade on the OTC due to its less stringent requirements, as compared to Nasdaq and the NYSE. The following chart provides a comparison of Nasdaq, the NYSE and the OTC.

U.S. Stock Market Comparison

		Nasdaq	NYSE	OTC
Market Tiers		Nasdaq Global Select Market Nasdaq Global Market Nasdaq Capital Market	NYSE NYSE American	OTCQX OTCQB OTCPink
Number of Listed Companies	Total	3,200+	2,800+	10,300+
	Cannabis-related	4	3	212
Market Value[1]	Total	$11.3 trillion	$29.6 trillion	$247.7 billion
	Median	$334.0 million	$1.5 billion	$0.5 million
Listing or Trading Requirements		Must meet financial and liquidity criteria under at least one category of Standards. Criteria include: Stockholders' Equity, Market Capitalization, Operating History, Net Income, Amount of Publicly Held Shares and Number of Shareholders.	Must meet financial and liquidity criteria under at least one category of Standards. Criteria include: Stockholders' Equity, Market Capitalization, Pre-tax Income, Amount of Publicly Held Shares and Number of Shareholders.	OTCQX: Must meet minimum financial and liquidity criteria OTCQB and OTCPink: No financial and liquidity criteria
Minimum Share Price		Nasdaq Global Select Market: $4.00 Nasdaq Global Market: $4.00 Nasdaq Capital Market: $2.00	NYSE: $4.00 NYSE American: $2.00	OTCQX: $0.10 OTCQB: $0.01 OTCPink: None
Corporate Governance Requirements		• Annual audit • Audit committee and compensation committee • Majority of independent directors	• Annual audit • Audit committee and compensation committee • Majority of independent directors	OTCQX and OTCQB: • Annual audit • Audit committee • Two independent directors OTCPink: No requirements
Reporting Requirements		Required to file quarterly and annual reports	Required to file quarterly and annual reports	Not required to make regular filings
Registration Requirements		Required to register with the SEC	Required to register with the SEC	Not required to register with the SEC

[1] *Source:* S&P Global Market Intelligence

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Public Capital Markets: Canada

As of November 30, 2017, six cannabis-related companies were trading on the TSX, 20 were trading on the TSXV and 41 were trading on the CSE. Most of the publicly traded cannabis-related companies in Canada are licensed producers under Canada's Access to Cannabis for Medical Purposes Regulations, which allow a company to produce and sell medical cannabis products in Canada. A number of companies traded on the CSE also have cannabis-related operations in the United States. The following table provides a summary of cannabis-related companies traded on Canadian stock markets.

Summary of Canadian Publicly Traded Cannabis-Related Companies

(As of November 30, 2017)		Average ($U.S. millions)					
	Number of Companies	Market Value	Enterprise Value	Cash	Debt	LTM Revenue	LTM EBITDA
Toronto Stock Exchange (TSX)	6	$1,361.5	$1,311.4	$71.0	$20.8	$26.6	$0.8
TSX Venture Exchange (TSXV)	20	131.5	123.9	10.8	3.3	1.2	–3.5
Canadian Securities Exchange (CSE)	41	72.6	72.0	2.0	1.4	1.8	–2.8
Canada	67	$210.6	$203.3	$11.1	$3.8	$4.0	–$2.2

Source: S&P Global Market Intelligence. Companies that are traded on more than one market are included in their primary market as determined by S&P Global Market Intelligence, based on stock price history, trading volume and availability of estimates. Enterprise Value is defined as Market Value plus Debt minus Cash and Cash Equivalents. LTM is Last Twelve Months. EBITDA is defined as Earnings Before Interest, Taxes, Depreciation and Amortization.

Stock Price Performance of Canadian Publicly Traded Cannabis-Related Companies

The following chart shows the stock price performance of selected publicly traded cannabis-related companies in Canada since September 30, 2016. The chart indicates that the stock price performance of cannabis-related companies trading on Canadian markets received a boost from the announcement of the proposed recreational cannabis legislation in Canada by Prime Minister Justin Trudeau and, more recently, from Constellation Brands' investment in Canopy Growth.

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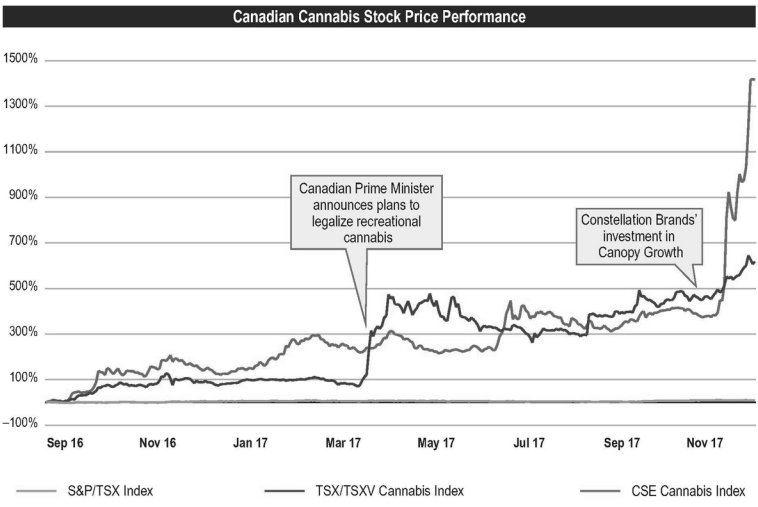

Source: S&P Global Market Intelligence

Capital Raised by Canadian Publicly Traded Cannabis-Related Companies

The following table shows the amount of capital (equity and debt) raised by cannabis-related companies traded on Canadian stock markets in the twelve months ended September 30, 2017.

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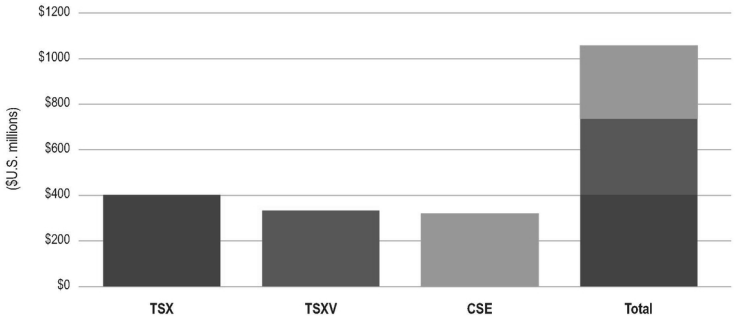
Capital Raised by Canadian Publicly Traded Cannabis-Related Companies (LTM ended September 30, 2017)



	TSX	TSXV	CSE	Total
Amount Raised	$403	$334	$319	$1056
Number of Deals	11	21	28	60
Average Deal Size	$37	$16	$11	$18

Source: S&P Global Market Intelligence

Financial Data and Trading Multiples of Canadian Publicly Traded Cannabis-Related Companies

The following tables show selected financial and trading information of cannabis-related companies that are publicly traded on Canadian markets.

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Toronto Stock Exchange

($U.S. millions, except stock price)

Company	Ticker	Stock Price 11/30/17	% Below 52-Week High	Market Value	Enterprise Value (EV)	LTM Revenue	LTM EBITDA	LTM EV Multiples		Forward Revenue Multiples		Forward EBITDA Multiples	
								Revenue	EBITDA	2018	2019	2018	2019
Aphria Inc.	TSX:APH	$8.91	9.9%	$1,350.2	$1,281.7	$17.7	$3.8	72.4x	NM	37.7x	9.9x	NM	27.5x
Aurora Cannabis Inc.	TSX:ACB	6.21	7.6%	2,483.5	2,406.8	18.6	–4.7	NM	NM	48.6	13.6	NM	30.4
CanniMed Therapeutics Inc.	TSX:CMED	15.15	10.9%	347.8	315.8	12.0	2.0	26.3	NM	10.6	5.4	48.5x	13.3
Canopy Growth Corporation	TSX:WEED	14.30	15.1%	2,720.6	2,641.7	46.3	1.9	57.1	NM	39.7	11.7	NM	NM
MedReleaf Corp.	TSX:LEAF	12.66	13.7%	1,146.2	1,094.8	32.9	9.7	33.3	NM	30.8	9.4	NM	27.0
Neptune Technologies & Bioressources Inc.	TSX:NEPT	1.54	15.0%	120.8	127.4	32.4	3.7	3.9	NM	6.0	4.3	NM	NM
		Median	**12.3%**	**$1,248.2**	**$1,188.3**	**$25.5**	**–$0.1**	**33.3x**	**NM**	**34.2x**	**9.6x**	**48.5x**	**27.3x**

TSX Venture Exchange

($U.S. millions, except stock price)

Company	Ticker	Stock Price 11/30/17	% Below 52-Week High	Market Value	Enterprise Value (EV)	LTM Revenue	LTM EBITDA	LTM EV Multiples		Forward Revenue Multiples		Forward EBITDA Multiples	
								Revenue	EBITDA	2018	2019	2018	2019
ABcann Global Corporation	TSXV:ABCN	$1.13	19.9%	$152.7	$129.7	$0.7	–$8.7	NM	NM	11.2x	2.6x	NM	9.2x
Cannabis Wheaton Income	TSXV:CBW	0.68	56.5%	157.2	157.0	0.1	–6.2	NM	NM	NA	NA	NA	NA
Cronos Group Inc.	TSXV:MJN	3.38	9.0%	503.2	494.0	2.3	2.5	NM	NM	16.1	5.8	NM	17.6
Delta 9 Cannabis Inc.	TSXV:NINE	2.37	23.8%	143.9	145.5	0.4	–1.7	NM	NM	NA	NA	NA	NA
Emblem Corp.	TSXV:EMC	1.26	64.6%	117.1	108.0	1.8	–7.5	59.4x	NM	10.5	2.0	NA	5.6
Emerald Health Therapeutics	TSXV:EMH	2.27	4.6%	213.8	195.6	0.6	–4.3	NM	NM	46.6	NA	NA	NA
Harvest One Cannabis Inc.	TSXV:HVST	0.71	18.6%	63.7	54.1	0.2	–4.5	NM	NM	17.0	1.8	NA	9.2
Hempco Food and Fiber Inc.	TSXV:HEMP	1.66	31.6%	77.5	77.4	4.7	–1.3	16.5	NM	NA	NA	NA	NA
ICC International Cannabis	TSXV:ICC	0.76	44.3%	104.6	102.5	0.1	–4.5	NM	NM	6.4	1.1	NM	4.0
Invictus MD Strategies Corp.	TSXV:IMH	1.12	33.6%	89.6	66.7	1.8	–10.3	37.6	NM	27.3	3.6	NM	13.3
LGC Capital Ltd.	TSXV:LG	0.29	24.0%	79.6	76.6	0.0	–1.7	NM	NM	NA	NA	NA	NA
Maple Leaf Green World Inc.	TSXV:MGW	0.46	24.4%	67.3	64.2	0.4	–1.1	NM	NM	NA	NA	NA	NA
National Access Clinic Corp.	TSXV:NAC	0.40	30.1%	24.0	25.0	0.7	–2.4	36.7	NM	NA	NA	NA	NA
Naturally Splendid Enter.	TSXV:NSP	0.21	45.0%	20.4	20.9	1.9	–4.3	10.9	NM	NA	NA	NA	NA
Newstrike Resources Ltd.	TSXV:HIP	0.39	16.7%	151.1	152.1	0.0	–0.3	NM	NM	NA	NA	NA	NA
OrganiGram Holdings Inc.	TSXV:OGI	2.61	15.7%	277.4	244.2	4.0	–5.2	60.7	NM	9.7	3.4	46.5x	12.6
Tetra Bio-Pharma Inc.	TSXV:TBP	0.54	14.8%	63.6	62.0	0.0	–3.9	NM	NM	NA	NA	NA	NA
The Hydropothecary Corp.	TSXV:THCX	1.92	17.7%	149.8	133.3	3.3	–0.6	40.7	NM	15.8	3.6	NM	29.8
Viridium Pacific Group Ltd.	TSXV:VIR	1.09	15.2%	49.5	48.6	0.0	–0.1	NM	NM	NA	NA	NA	NA
WeedMD Inc.	TSXV:WMD	1.69	12.8%	123.2	121.0	0.5	–3.1	NM	NM	9.9	2.3	NM	8.6
		Median	**21.8%**	**$110.8**	**$105.3**	**$0.5**	**–$2.0**	**37.6x**	**NM**	**13.5x**	**2.6x**	**46.5x**	**9.2x**

Source: S&P Global Market Intelligence. Not Meaningful (NM) used for negative multiples, and for revenue multiples greater than 100.0x and EBITDA multiples greater than 50.0x. Not Available (NA) used for information that is not available. Enterprise Value is defined as Market Value plus Debt minus Cash and Cash Equivalents. LTM is Last Twelve Months. EBITDA is defined as Earnings Before Interest, Taxes, Depreciation and Amortization.

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Canadian Securities Exchange

($U.S. millions, except stock price)

Company	Ticker	Stock Price 11/30/17	% Below 52-Week High	Market Value	Enterprise Value (EV)	LTM Revenue	LTM EBITDA	LTM EV Multiples		Forward Revenue Multiples		Forward EBITDA Multiples	
								Revenue	EBITDA	2018	2019	2018	2019
Alliance Growers Corp.	CSE:ACG	$0.16	20.0%	$6.9	$6.8	$0.0	$0.0	NM	NM	5.0x	0.3x	NM	0.8x
Alternate Health Corp.	CSE:AHG	1.52	78.0%	79.3	76.6	10.3	–6.4	7.4x	NM	NA	NA	NA	NA
Beleave Inc.	CSE:BE	1.38	37.5%	44.8	44.1	0.0	–8.8	NM	NM	11.4	NA	NM	NA
Canada House Wellness Group Inc.	CSE:CHV	0.29	43.3%	35.6	36.3	4.4	–4.1	8.2	NM	NA	NA	NA	NA
CannaRoyalty Corp.	CSE:CRZ	2.28	41.2%	96.9	96.3	2.2	–8.6	44.2	NM	3.1	1.8	17.0x	8.1
CannTrust Holdings Inc.	CSE:TRST	5.43	12.5%	471.8	466.3	12.6	5.2	36.9	NM	9.0	5.5	31.8	20.6
DOJA Cannabis Company Limited	CSE:DOJA	1.06	8.7%	16.2	16.0	0.0	–0.1	NM	NM	NA	NA	NA	NA
Eviana Health Corporation	CSE:EHC	1.09	30.0%	16.7	17.2	0.0	0.0	NM	NM	NA	NA	NA	NA
Friday Night Inc.	CSE:TGIF	0.39	13.8%	60.3	61.2	0.8	–1.9	74.3	NM	NA	NA	NA	NA
Future Farm Technologies Inc.	CSE:FFT	0.37	23.8%	37.2	37.7	0.3	–7.5	NM	NM	NA	NA	NA	NA
International Cannabrands Inc.	CSE:JUJU.A	0.18	20.5%	1.8	2.4	0.2	–1.2	14.8	NM	NA	NA	NA	NA
Global Cannabis Applications Corp.	CSE:APP	0.26	20.9%	10.5	10.7	0.0	–1.1	NM	NM	NA	NA	NA	NA
Global Hemp Group Inc.	CSE:GHG	0.09	17.2%	14.3	14.4	0.0	0.0	NM	NM	NA	NA	NA	NA
Golden Leaf Holdings Ltd.	CSE:GLH	0.27	36.4%	110.1	115.5	7.9	–10.6	14.6	NM	NA	NA	NA	NA
HealthSpace Data Systems Ltd.	CSE:HS	0.08	23.1%	8.7	9.8	1.9	–1.5	5.1	NM	NA	NA	NA	NA
High Hampton Holdings Corp.	CSE:HC	0.30	22.0%	3.8	3.7	0.0	–0.3	NM	NM	NA	NA	NA	NA
InMed Pharmaceuticals Inc.	CSE:IN	0.52	30.2%	67.5	62.7	0.0	–4.6	NM	NM	NA	NA	NA	NA
Isodiol International Inc.	CSE:ISOL	1.14	18.8%	251.2	250.7	14.2	0.6	17.6	NM	NA	NA	NA	NA
Kaneh Bosm BioTechnology Inc.	CSE:KBB	0.06	37.5%	0.8	0.7	0.0	0.0	NM	NM	NA	NA	NA	NA
Liberty Health Sciences Inc.	CSE:LHS	1.33	33.2%	377.5	377.5	0.0	0.0	NM	NM	NA	NA	NA	NA
Liberty Leaf Holdings Ltd.	CSE:LIB	0.21	11.5%	20.2	19.7	0.0	–1.9	NM	NM	NA	NA	NA	NA
Lifestyle Delivery Systems Inc	CSE: LDS	0.50	26.4%	46.0	44.6	0.7	–5.1	65.3	NM	NA	NA	NA	NA
Lotus Ventures Inc.	CSE:J	0.40	16.1%	17.8	17.7	0.0	–0.5	NM	NM	NA	NA	NA	NA
Marapharm Ventures Inc.	CSE:MDM	0.76	44.6%	71.4	69.8	0.4	–3.6	NM	NM	NA	NA	NA	NA
Maricann Group Inc.	CSE:MARI	1.76	15.9%	162.7	162.2	3.1	–14.3	52.9	NM	9.8	2.0	NM	5.8
Matica Enterprises Inc.	CSE:MMJ	0.25	5.8%	57.1	56.0	0.0	–1.8	NM	NM	NA	NA	NA	NA
MPX Bioceutical Corporation	CSE:MPX	0.39	51.5%	100.7	108.0	10.6	–3.5	10.2	NM	5.2	2.9	NM	12.3
MYM Nutraceuticals Inc.	CSE:MYM	2.15	7.7%	200.8	200.4	0.3	–0.9	NM	NM	NA	NA	NA	NA
Platinex Inc.	CSE:PTX	0.10	28.9%	9.9	9.8	0.0	–0.7	NM	NM	NA	NA	NA	NA
PUF Ventures Inc.	CSE:PUF	0.79	11.3%	41.2	39.6	0.0	–1.2	NM	NM	NA	NA	NA	NA
Quadron Cannatech Corporation	CSE:QCC	0.19	44.4%	10.7	10.0	1.7	–0.7	6.0	NM	NA	NA	NA	NA
Quinsam Capital Corporation	CSE:QCA	0.34	24.1%	15.0	12.8	0.0	0.1	NM	NM	NA	NA	NA	NA
Ravenquest Biomed Inc.	CSE:RVT	0.03	47.1%	1.0	1.1	0.0	–0.2	NM	NM	NA	NA	NA	NA
Supreme Pharmaceuticals Inc.	CSE:SL	1.06	33.2%	219.3	202.5	1.2	–13.4	NM	NM	16.6	2.5	NM	7.8
TerrAscend Corp.	CSE:TER	1.33	13.6%	61.9	61.0	0.0	–4.3	NM	NM	NA	NA	NA	NA
THC Biomed Intl Ltd.	CSE:THC	0.59	33.9%	65.4	66.8	0.0	–1.2	NM	NM	NA	NA	NA	NA
True Leaf Medicine International Ltd.	CSE:MJ	0.69	9.2%	46.4	45.9	0.8	–2.4	56.9	NM	NA	NA	NA	NA
Valens Groworks Corp.	CSE:VGW	0.85	33.9%	52.0	51.8	0.0	–3.4	NM	NM	NA	NA	NA	NA
Veritas Pharma Inc.	CSE:VRT	0.69	5.3%	28.5	27.8	0.0	–2.4	NM	NM	NA	NA	NA	NA
Vodis Pharmaceuticals Inc.	CSE:VP	0.30	61.0%	9.2	10.7	0.0	–3.6	NM	NM	NA	NA	NA	NA
Wildflower Marijuana Inc.	CSE:SUN	0.52	46.0%	27.5	27.4	0.2	–0.8	NM	NM	NA	NA	NA	NA
		Median	**24.1%**	**$41.2**	**$39.6**	**$0.0**	**–$1.5**	**16.2x**	**NM**	**9.0x**	**2.2x**	**24.4x**	**8.0x**

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Comparison of Canadian Stock Markets

Similar to stock markets in the United States, Canadian stock markets vary significantly in terms of their financial, liquidity and corporate governance requirements. Most Canadian publicly traded cannabis-related companies trade on the CSE due to its less stringent requirements, as compared to the TSX and TSXV. More than 10% of the companies traded on the CSE are cannabis-related companies. The following chart provides a comparison of the TSX, TSXV and CSE.

Canadian Stock Market Comparison

		Toronto Stock Exchange (TSX)	TSX Venture Exchange (TSXV)	Canadian Securities Exchange (CSE)
Number of Listed Companies	Total	1487	1791	337
	Cannabis-related	6	20	41
Market Value[1]	Total ($U.S.)	$2.0 trillion	$33.7 billion	$6.2 billion
	Median ($U.S.)	$282.6 million	$5.0 million	$6.1 million
Listing or Trading Requirements		Must meet financial and liquidity criteria determined by a company's industry.Criteria include: Earnings, Revenue, Cash Flow, Net Tangible Assets, Adequate Working Capital, Cash, Market Capitalization, Amount of Publicly Held Shares and Number of Shareholders.	Must meet financial and liquidity criteria determined by a company's industry.Criteria include: Net Tangible Assets, Revenue, Adequate Working Capital, Property, Operating History, Amount of Publicly Held Shares and Number of Shareholders.	Must meet financial and liquidity criteria determined by a company's industry and whether the company is an operating company. Criteria include: Revenue, Assets, Amount of Publicly Held Shares and Number of Shareholders.
Corporate Governance Requirements		• Annual audit • Audit committee • Two independent directors	• Annual audit • Audit committee • Two independent directors	• Annual audit • Audit committee
Reporting Requirements		Required to file quarterly and annual reports	Required to file quarterly and annual reports	Required to file quarterly and annual reports

[1] *Source:* S&P Global Market Intelligence

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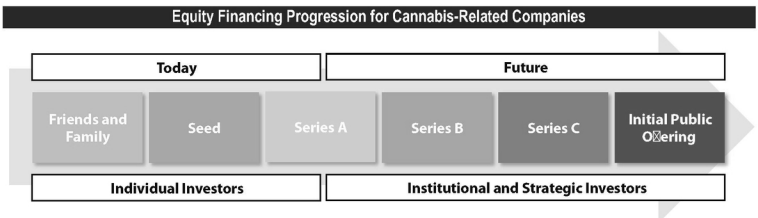
Private Capital Markets

The cannabis industry today is replete with early-stage private companies seeking to raise capital. This capital, whether equity or debt, may be available from (i) "friends and family," (ii) more formalized groups and networks of "angel" investors, (iii) family offices, (iv) dedicated cannabis investment funds (currently few in number, but growing), and (v) strategic investors. However, because of the legal considerations, traditional institutional investors—most notably the venture capital and private equity communities—continue to be mostly absent from the market.

As with most early-stage companies in other industries, many emerging cannabis-related companies are trying to follow the typical progression of raising equity capital, as illustrated in the following chart.



The following table provides a summary of the reported capital (equity and debt) raised by private cannabis-related companies in 2016 and year to date through November 30, 2017. While the table indicates that significant capital is available in the private markets, we believe that the dearth of accessible institutional capital makes it challenging for many companies to raise subsequent rounds of financing after successfully securing their start-up capital. In addition, the amount raised per transaction is small and there have been very few announced financings of meaningful size by private companies. While we believe that the data is informative, it is challenging to get accurate and comprehensive data for the number and dollar amount of transactions that occur in private markets within the cannabis industry because of the number of transactions that are not reported.

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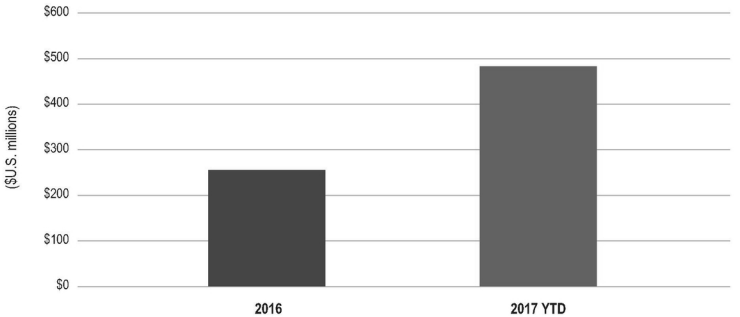
Total Capital Raised by Private Cannabis-Related Companies Globally



	2016	2017 YTD
Amount Raised	$256	$483
Number of Deals	65	102
Average Deal Size	$4	$5

Source: Ackrell Capital

The following table shows the scarcity of large transactions announced by private cannabis-related companies for the year to date through November 30, 2017.

Selected Financings by Private Cannabis-Related Companies (YTD through November 30, 2017)

($U.S. millions)

Issuer	Amount	Date
düber Technologies Inc.	$50.0	September 2017
Eaze Solutions, Inc.	27.0	September 2017
Surterra Holdings LLC	13.4	September 2017
Teewinot Life Sciences Corporation	12.3	April 2017
Hound Labs, Inc.	8.1	May 2017
iUNU, Inc.	6.3	August 2017
Green Leaf Medical, LLC	5.9	June 2017
RX Green Solutions LLC	5.3	July 2017
River Collective	5.0	April 2017
Greene Fox Enterprises	5.0	May 2017

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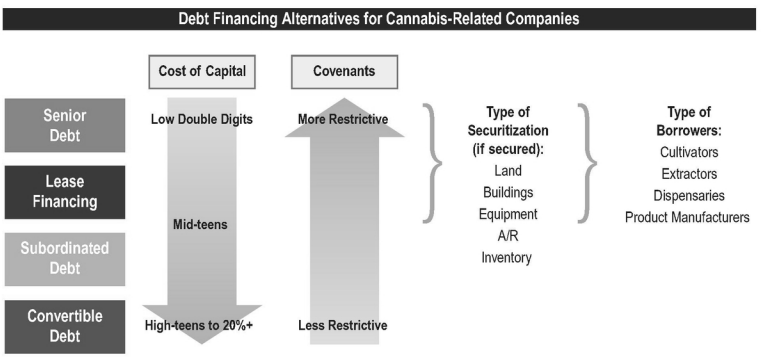
In addition, an increasing number of direct lenders are participating in the private debt markets for cannabis-related companies. These lenders represent an important capital source for the industry, as typical forms of debt capital, such as bank financing, remain unavailable to most companies. As in other industries, debt financing is typically available only to those companies having meaningful cash flow or tangible assets to secure the debt. While the number of lenders is increasing, there is still a relative scarcity of debt capital available to the cannabis industry, which can lead to a higher debt cost of capital of 200–500 basis points or more for cannabis-related companies, as compared to companies in other industries.

The following chart illustrates the type of debt that may be available to cannabis-related companies, representative terms of such debt, and the types of companies that may be able to access debt in the private markets.



Final Thoughts

As stated previously, valuations and stock price fluctuations in the cannabis industry continue to be driven more by expectations for the cannabis industry in general than by individual company fundamentals. Today, in the public markets, trading volumes are too low, trading prices are too volatile and operating histories are too limited to place any reliance on current valuation levels in the cannabis industry. We believe that this dynamic will continue until cannabis-related companies have matured and start to realize meaningful revenue, profitability and other financial metrics that will allow investors to evaluate companies within the industry by more traditional methodology.

It is still too early to know how the cannabis industry or its sectors will be valued in the future. It may come to pass that companies in the cannabis industry are valued comparably to public companies in industries with similar characteristics, such as the alcohol, tobacco, pharmaceutical and consumer

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products industries, especially as companies from those industries look to enter the cannabis industry, through acquisition or by other means.

As demonstrated by the more than $2.0 billion raised by publicly traded and private cannabis-related companies in 2017, capital continues to be available to support the growth of the industry. In the public markets, we believe that Canadian stock markets will continue to be the most receptive globally (until more progress is made in the United States toward federal legalization of cannabis).

Overview of Canadian and U.S. Stock Markets

	Canada			United States	
	Toronto Stock Exchange (TSX)	TSX Venture Exchange (TSXV)	Canadian Securities Exchange (CSE)	Nasdaq/NYSE	OTC
Summary	Largest exchange in Canada and one of world's largest	Affiliate of the TSX for smaller capitalization companies	Perceived as the "OTC" of the Canadian markets by many investors	Largest and most recognized stock exchanges in the world	Negative reputation with many investors and regulators
Benefits	High volume of trading and liquidity; brand recognition; strong institutional support	Possible uplisting to the TSX; better brand than the CSE	Receptive to companies with U.S. cannabis operations; very few listing requirements	High volume of trading and liquidity; brand recognition; strong institutional support	Possible uplisting to other markets; very few requirements to trade
Issues	Not receptive to companies that violate U.S. federal law	Not receptive to companies that violate U.S. federal law; limited liquidity for small issues	Limited trading volume and liquidity; significant price fluctuations; limited institutional support	Stringent listing requirements	Limited trading volume and liquidity; significant price fluctuations; limited institutional support
Outlook	Expected to continue to attract the largest Canadian companies in the cannabis industry	Viable exchange for smaller Canadian companies with no cannabis operations in the United States	Viable exchange for smaller Canadian companies with cannabis operations in the United States	With few exceptions, cannabis companies will not be able to list while federal prohibition continues	Cannabis companies will continue to trade on the OTC despite the limited benefits

Although capital continues to be available for select issuers in both the public and private markets, we believe that the cannabis industry will continue to face a large funding gap for the foreseeable future, driven by the lack of institutional investors. However, we believe a growing number of retail, institutional and family office investors will support the industry in 2018 and beyond.

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CHAPTER VIII

Top 100 Private Cannabis Companies 2018

In this chapter, we present our current list of the Top 100 Private Cannabis Companies. Our determination to include companies on the list is subjective, and the list is intended to be a cross-section of the types of companies in the cannabis industry. Our list comprises privately held companies, primarily U.S. companies, companies we believe have a strong reputation or position in their market segments and companies pursuing a line of business we consider promising. We intend to update our list periodically, and we expect it may change significantly over time.

Most companies on our list are in early stages of development, and many will need to raise capital to succeed. Raising capital for early-stage companies in any industry is extremely challenging. Early-stage cannabis companies seeking capital face the same challenges as early-stage companies in other industries but must also address challenges unique to the cannabis industry. Although we hope the companies on our list ultimately succeed, we expect some will go out of business for any number of reasons, including lack of access to capital.

Inclusion in our list does not represent an investment recommendation or endorsement of any particular company or product. We have made investments in and conducted investment banking and other services for companies included in the *Top 100 Private Cannabis Companies 2018* list, and may do so in the future. Readers should be aware that we may have a conflict of interest that could affect the objectivity of our decision to include a company in the list. For additional disclosures and disclaimers, see page 175.

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Top 100 Private Cannabis Companies 2018

AEssenseGrows	Défoncé	Jetty Extracts	River Collective
Ample Organics	Dixie Elixirs	Kikoko	Rubicon Organics
Apeks Supercritical	Dosist	KIVA Confections	S2S Development
The Apothecarium	Eaze Solutions	Korova	SC Laboratories
Auntie Dolores	Eel River Organics	LeafLink	Scrubbed
Baker Technologies	Elemental Wellness	Leafly	SPARC
BAS Research	Euflora	Level Blends	Spectrum King
BDS Analytics	Evolve Therapeutics	LivWell Enlightened Health	Steep Hill Labs
Beboe	Evoxe Laboratories	Lunchbox Alchemy	StickyGuide
Berkeley Patients Group	Flow Kana	Mary's Medicinals	Strainz
BioTrackTHC	Flowhub	Meadow	Teewinot Life Sciences
Bloom Farms	FunkSac	Merry Jane	Tikun Olam
Brewbudz	Garden State Dispensary	MiNDFUL	Treez
Bud and Bloom	GFarmaLabs	MJ Freeway	Trellis
Calyx Brands	Gold Coast Extracts	MJardin	Trulieve
Cannabis Reports	Green Dot Labs	MM Acquisition Co.	Utopia Farms
CannaCraft	Green Flower Media	Native Roots	VapeWorld
CannaKorp	Green Rush	New Vansterdam	Vapexhale
Colorado Harvest Company	The Green Solution	Northwest Cannabis Solutions	VCC Brands
Columbia Care	Harborside Health Center	NWT Holdings (Firefly)	Vuber
Confident Cannabis	Harvest	Organa Brands	Wana Brands
Cultivation Technologies	Headset	PAX Labs	Web Joint
Cura Cannabis Solutions	HelloMD	PharmaCielo	Weedguide
CW Analytical	Humboldt Legends	PRØHBTD Media	Weedmaps
Deep Cell	Incense Specialties	Qind	Wellness Connection of Maine

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AEssenseGrows

Sunnyvale, California
www.aessensegrows.com

AEssenseGrows is a producer of modular aeroponic systems for cannabis cultivation. The company develops full-scale cultivation systems equipped with software, automation and monitoring capabilities. Such systems enable cultivators to deliver nutrients to the plant more efficiently, and thus generate higher-yielding output than conventional cultivation systems.

Ample Organics

Toronto, Ontario
www.ampleorganics.com

Ample Organics is a software developer for cannabis cultivators. The company offers a system to track all aspects of the cannabis cultivation business. The company's products enable medical cannabis producers in Canada to comply with Canadian law.

Apeks Supercritical

Johnstown, Ohio
www.apekssupercritical.com

Apeks Supercritical is a provider of botanical oil extraction systems that utilize subcritical and supercritical CO_2 gas as a solvent. The company's fully automated systems range from a 1-liter benchtop system to a 40-liter production system. These systems provide consistent extraction results for the production of cannabis concentrates.

The Apothecarium

San Francisco, California
www.apothecarium.com

The Apothecarium is an operator of recreational and medicinal cannabis dispensaries. The company offers cannabis flower, concentrates, edibles and accessories throughout its locations in California and Nevada.

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Auntie Dolores

Oakland, California
www.auntiedolores.com

Auntie Dolores is a producer of branded cannabis-infused edibles. The company produces a variety of edibles, including pretzels, biscuits, brownies, cookies, corn and nuts. The company's products are sold directly to cannabis consumers and through cannabis dispensaries in California.

Baker Technologies

Denver, Colorado
www.trybaker.com

Baker Technologies provides a customer relationship management platform for cannabis dispensaries and brands. The company provides messaging, loyalty programs and online ordering features to enable cannabis dispensaries to attract and retain cannabis consumers.

BAS Research

Berkeley, California
www.basresearch.com

BAS Research is a cannabis research and manufacturing company. The company provides its clients with bulk cannabis oil, cannabis-oil extraction consulting services, contract manufacturing and fulfillment.

BDS Analytics

Boulder, Colorado
www.bdsanalytics.com

BDS Analytics is a provider of data analytics solutions to the cannabis industry. The company tracks data from point-of-sale systems to provide insight into consumer buying patterns. The company sells its solutions to a wide range of customers.

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Beboe

Los Angeles, California
www.beboe.com

Beboe is a producer of branded cannabis products. The company's cannabis oil vaporizers and cannabis-infused edibles are available in dispensaries throughout California.

Berkeley Patients Group

Berkeley, California
www.mybpg.com

Berkeley Patients Group is an operator of a cannabis dispensary. The company retails a broad variety of cannabis products, including flower, pre-rolls, concentrates, edibles, topicals, seeds and accessories. It also operates an online e-commerce portal and offers a limited same-day delivery service to patients in Berkeley, California and the surrounding area.

BioTrackTHC

Ft. Lauderdale, Florida
www.biotrack.com

BioTrackTHC is a provider of compliance and business management software for the retail cannabis industry. The company's software platform is designed for inventory and sales management to track the seed-to-sale process and is used by recreational and medicinal dispensaries, cultivators and state governments.

Bloom Farms

San Francisco, California
www.getbloomfarms.com

Bloom Farms is a producer of branded cannabis products, including cannabis oil and flower. The company's products are available in dispensaries throughout California.

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Brewbudz

San Diego, California
www.brewbudz.us

Brewbudz is a manufacturer of branded cannabis-infused products. The company develops cannabis-infused coffee, tea and cocoa pods that can be used in Keurig® systems. Its products are available in select dispensaries in Nevada.

Bud and Bloom

Santa Ana, California
www.budandbloomoc.com

Bud and Bloom is the operator of a cannabis dispensary. The company offers cannabis flower, concentrates, edibles and accessories and sells these products at its Santa Ana location.

Calyx Brands

Oakland, California
www.gocalyx.com

Calyx Brands is a cannabis distribution company. The company engages in the distribution, transportation and marketing of cannabis products.

Cannabis Reports

Berkeley, California
www.cannabisreports.com

Cannabis Reports is a publisher of industry data for cannabis users and business owners. The company offers news, studies, product information and dispensary information.

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CannaCraft

Santa Rosa, California
www.cannacraft.com

CannaCraft is a producer of branded strain-specific cannabis concentrates and cannabis-infused edibles. The company provides a range of high-THC products, including concentrate cartridges, oils, softgels, sprays and straws. It focuses on providing concentrates of the most popular cannabis flower strains. Products are sold through cannabis dispensaries in California. The company manufactures its products under the AbsoluteXtracts, Care By Design and Satori brands.

CannaKorp

Boston, Massachusetts
www.cannakorp.com

CannaKorp is a manufacturer of branded cannabis consumer products. The company produces the CannaCloud, a tabletop vaporizer system utilizing single-use cannabis-infused pods.

Colorado Harvest Company

Denver, Colorado
www.coloradoharvestcompany.com

Colorado Harvest Company is an operator of recreational and medicinal cannabis dispensaries and cultivation facilities. The company's three dispensary locations retail flower, concentrates and edibles. It also operates an indoor hydroponic grow facility.

Columbia Care

New York, New York
www.col-care.com

Columbia Care is an operator of medical cannabis dispensaries and cultivation facilities. The company operates 27 medical dispensaries across 9 states and the District of Columbia under several brands, including Columbia Care, Curative Health, Patriot Care and SWC Arizona.

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Confident Cannabis

Palo Alto, California
www.confidentcannabis.com

Confident Cannabis is a cannabis lab-testing and analytics company. The company allows users to view the results of their product testing and analytics in an online platform. Its technology can be integrated into dispensary websites.

Cultivation Technologies

Coachella, CA
www.cultivationtech.com

Cultivation Technologies provides infrastructure, genetics, technology and branding to the legal cannabis industry. The company is building a campus for the development of pharmaceutical-grade cannabis products.

Cura Cannabis Solutions

Portland, Oregon
www.curacan.com

Cura Cannabis Solutions is a provider of cannabis concentrates. The company offers cannabis distillates and oils to consumers and edibles manufacturers. Its products are available in dispensaries throughout California, Nevada and Oregon.

CW Analytical

Oakland, California
www.cwanalytical.com

CW Analytical is a cannabis lab-testing company that tests cannabis and cannabis-based products for potency, pesticides and microbiology. The company also consults with dispensaries and edibles manufacturers to provide best practices for product handling and product labeling.

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Deep Cell

Seattle, Washington
www.deepcell.industries

Deep Cell is a synthetic biology and cannabis intellectual property holding company. The company provides licenses to companies who wish to produce Deep Cell's cannabis-infused sugar. Its products are available from Deep Cell licensees.

Défoncé

Oakland, California
www.defonce.com

Défoncé is a producer of branded cannabis-infused products, primarily focusing on chocolate-based edibles. The company offers a wide range of chocolate-bar flavors that are available in dispensaries located throughout California.

Dixie Elixirs

Denver, Colorado
www.dixieelixirs.com

Dixie Elixirs is a producer of branded cannabis-infused edibles. The company produces a wide range of products, including chocolate-based edibles, beverages, capsules, mints, energy shots, topicals and disposable vaporizer pens. The company's products are sold in many dispensaries throughout California and Colorado.

Dosist

Los Angeles, California
www.dosist.com

Dosist is a producer of cannabis vaporizers. The company develops pre-filled cannabis vaporizers that are designed to provide consumers with a specific mood. The company's products are available in dispensaries located throughout California.

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Eaze Solutions

San Francisco, California
www.eaze.com

Eaze Solutions is a developer and provider of an on-demand cannabis delivery-service application that enables consumers to order cannabis products via mobile devices. The company's mobile application allows users to access a daily menu of cannabis products for purchase and direct-to-consumer delivery.

Eel River Organics

Sacramento, California
www.eelriverfamilyfarm.com

Eel River Organics is a producer of branded cannabis products from Humboldt County, California. The company offers cannabis flower, concentrates, vaporizer cartridges and cultivation equipment. Its products are available in select California dispensaries.

Elemental Wellness

San Jose, California
www.elementalwellnesscenter.com

Elemental Wellness is an operator of a cannabis dispensary and wellness center in San Jose, California. The company offers a range of cannabis flower, concentrates and edibles, as well as delivery services and a range of wellness classes.

Euflora

Denver, Colorado
www.eufloracolorado.com

Euflora is an operator of four recreational cannabis dispensaries in Colorado. The company's locations sell flower, pre-rolls, concentrates, topicals, seeds, vaporitzers and branded accssories. The company also cultivates numerous cannabis strains in its own grow facility.

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Evolve Therapeutics

San Francisco, California
www.evolvetherapeutics.com

Evolve Therapeutics is a biopharmaceutical company focused on the research and manufacture of cannabinoid-based medications. The company produces a variety of cannabis products that are available in dispensaries located throughout California.

Evoxe Laboratories

Oakland, California
www.evoxelabs.com

Evoxe Laboratories is a producer of cannabis vaporizers. The company develops pre-filled cannabis vaporizers that are designed to provide consumers with a specific mood. The company's products are available in dispensaries throughout California.

Flow Kana

San Francisco, California
www.flowkana.com

Flow Kana is a producer of cannabis flower. The company owns property in Mendocino County, where it plans to partner with small cultivators to create an institute for cannabis manufacturing, education and leisure.

Flowhub

Denver, Colorado
www.flowhub.co

Flowhub is a provider of inventory management software for the cannabis industry. The company provides software to aid cultivators and dispensary operators in tracking their business from seed to sale. The software is designed to aid customers in compliance.

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FunkSac

Denver, Colorado
www.funksac.com

FunkSac is a provider of compliant packaging solutions for the medicinal and recreational cannabis industry. The company has a comprehensive product line manufactured with FDA-approved material and eco-friendly cannabis packaging solutions that are highly secure. FunkSac retails its products to cultivators, dispensaries and edibles manufacturers.

Garden State Dispensary

Woodbridge, New Jersey
www.gardenstatedispensary.com

Garden State Dispensary is a medicinal cannabis dispensary located in New Jersey. The company produces its own medical cannabis and offers a patient research and counseling program.

GFarmaLabs

Anaheim, California
www.gfarmalabs.com

GFarmaLabs is a producer of branded cannabis, cannabis-infused edibles, cannabis concentrates and vaporizer accessories. The company produces pre-rolls, beverages, chocolate-based edibles, honey, concentrate cartridges and injectors. GFarmaLabs sells its products through dispensaries in California and Washington. Its products are marketed as being produced from "100% indoor flower."

Gold Coast Extracts

Los Angeles, California
www.goldcoastusa.com

Gold Coast Extracts is an extraction consultant and producer of branded cannabis concentrates. The company provides extraction consulting services to cultivators and concentrates producers. It also produces an award-winning line of branded cannabis concentrates in shatter and wax form. The company's products are sold in dispensaries throughout California.

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Green Dot Labs

Boulder, Colorado
www.greendotlabs.com

Green Dot Labs is a cultivation and extraction company that provides branded concentrates to consumers. The company operates an indoor hydrocarbon extraction facility and utilizes proprietary cannabis-flower genetics to produce whole-plant extracts. The company's products are available in dispensaries throughout Colorado.

Green Flower Media

Ventura, California
www.learngreenflower.com

Green Flower Media is a digital media company operating a website that offers cannabis industry information. The company offers online classes to customers who are interested in learning about all things cannabis-related. The company's website also offers informational live streams from industry professionals.

Green Rush

San Mateo, California
www.greenrush.com

Green Rush provides an online medical cannabis delivery service. The company offers a range of cannabis flower, concentrates, edibles, tinctures and accessories. It has partnered with hundreds of cannabis dispensaries in California, Colorado, Nevada, New York and Michigan.

The Green Solution

Denver, Colorado
www.tgscolorado.com

The Green Solution is an operator of medicinal and recreational cannabis dispensaries. The company's 15 locations retail flower, pre-rolls, concentrates, edibles, topicals, seeds, vaporizers and branded accessories. The company also produces its own line of branded concentrates and edibles.

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Harborside Health Center

Oakland, California
www.shopharborside.com

Harborside Health Center operates cannabis dispensaries. The company's two locations retail flower, pre-rolls, concentrates, edibles, seeds, topicals and accessories. The company sources cannabis-flower products from local cultivators.

Harvest

San Francisco, California
www.harvestshop.com

Harvest is an operator of cannabis dispensaries. In addition to offering a full range of cannabis products, the company's dispensaries also serve as smoking lounges. The company has two locations in San Francisco.

Headset

Seattle, Washington
www.headset.io

Headset is a data analytics company for businesses within the cannabis industry. The company offers a SaaS product that tracks market data, business intelligence and retailer-direct data with clients located in states where cannabis has been legalized.

HelloMD

San Francisco, California
www.hellomd.com

HelloMD provides a digital healthcare platform. The company provides prescriptions for medicinal-cannabis patients via online, live video consultations. The company also provides a dispensary locator and cannabis product reviews.

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Humboldt Legends

Trinidad, California
www.humboldtlegends.com

Humboldt Legends is a producer of cannabis flower products sourced from Humboldt County, California. The company offers cannabis flower in eighths and pre-rolls. The company's products are available in dispensaries throughout California.

Incense Specialties

Lake Worth, Florida
www.thisthingrips.com

Incense Specialties is a producer of cannabis vaporizers. The company designs and manufactures a line of vaporizer pens under the brand name "This Thing Rips." The company's products are available in more than 4,000 points of sale across the United States and Canada.

Jetty Extracts

Oakland, California
www.jettyextracts.com

Jetty Extracts is a producer of cannabis vaporizers and cannabis concentrates. The company develops pre-filled cannabis vaporizers, cartridges and wax that offer the consumer formulations of both THC and CBD. The company's products are available in dispensaries throughout California.

Kikoko

San Francisco, California
www.kikoko.com

Kikoko is a producer of branded cannabis-infused teas. The company offers a range of THC and CBD teas. Kikoko products are available in select California dispensaries.

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KIVA Confections

San Leandro, California
www.kivaconfections.com

KIVA Confections is a producer of branded cannabis-infused edibles. The company's award-winning products are sold through cannabis dispensaries in California and Colorado.

Korova

Oakland, California
www.korovaedibles.com

Korova is a producer of branded cannabis-infused edibles. The company offers a selection of cannabis-infused cookies and brownies at varying potencies. The company's products are available in dispensaries located in California, Arizona and Nevada.

LeafLink

New York, New York
www.leaflink.com

LeafLink provides a software platform to facilitate e-commerce B2B sales, CRM and order fulfillment tracking of products for cannabis brands and dispensaries.

Leafly

Seattle, Washington
www.leafly.com

Leafly is a digital media company. Its online directory and content platform for cannabis consumers provides information about locations of dispensaries, news pertaining to the cannabis industry and the effects of different cannabis strains.

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Level Blends

San Francisco, California
www.levelblends.com

Level Blends is a producer of branded cannabis concentrates. The company utilizes a proprietary extraction process to produce a line of branded concentrates for use in vaporizers. The company's products are available in dispensaries throughout California.

LivWell Enlightened Health

Denver, Colorado
www.livwell.com

LivWell Enlightened Health is an operator of medicinal and recreational cannabis dispensaries and cultivation facilities. The company operates 15 retail locations in Colorado and Oregon and sells flower, pre-rolls, concentrates, edibles, topicals and branded accessories. It also operates an indoor cultivation facility and is recognized as the largest cannabis-sector employer in Colorado.

Lunchbox Alchemy

Bend, Oregon
www.lunchboxalchemy.com

Lunchbox Alchemy is a producer of branded cannabis-infused edibles and cannabis concentrates. The company produces cannabis-infused candies and macaroons, concentrate cartridges and ethanol tinctures. Its products are available in dispensaries throughout Oregon.

Mary's Medicinals

Denver, CO
www.marysmedicinals.com

Mary's Medicinals is a producer of branded cannabis concentrates. The company provides a range of transdermal patches and pens, topicals and powders featuring cannabinoid-based concentrates. The company's award-winning products deliver cannabinoids, including THC and CBD as well as THCA, CBN and CBC.

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Meadow

MEADOW

San Francisco, California
www.getmeadow.com

Meadow is a developer and provider of an on-demand cannabis delivery-service application for dispensaries. The company markets online and mobile-ordering applications for dispensaries. The web and mobile applications allow users to access a menu of cannabis products for purchase and direct-to-consumer delivery through dispensaries.

Merry Jane

MERRY JANE

Los Angeles, California
www.merryjane.com

Merry Jane is a digital media company focused on the cannabis industry. The company's website provides commentary on recent events, pop culture, business, politics and health-related news. The company provides strain reviews and information, as well as a dispensary locator.

MiNDFUL

MINDFUL

Denver, Colorado
www.bemindful.today

MiNDFUL is an operator of recreational and medicinal cannabis dispensaries. The company operates five retail locations in Colorado and a single location in Illinois. The company sells flower, concentrates, edibles, topicals and branded accessories.

MJ Freeway

MJ FREEWAY

Denver, Colorado
www.mjfreeway.com

MJ Freeway is a provider of enterprise management software for the cannabis industry. The company's core solution is a software platform for inventory and sales management to track the seed-to-sale process in compliance with state requirements. The software is used by recreational and medicinal dispensaries, infused-product manufacturers and cultivators.

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MJardin

Denver, Colorado
www.mjardin.com

MJardin is a provider of cannabis cultivation management services. The company offers facility design, inventory tracking, and management and operational consulting services. The company's services are available in states having medical or recreational laws.

MM Acquisition Co.

Los Angeles, California

MM Acquisition Co. is a provider of turnkey real estate services and business services to cannabis cultivators and dispensary operators in California. The company operates in three business segments: Property Leasing Business, Services Business and Other Related Businesses.

Native Roots

Denver, Colorado
www.nativeroots303.com

Native Roots is an operator of medicinal and recreational cannabis dispensaries and cultivation facilities. The company operates 21 dispensaries and retails flower, pre-rolls, concentrates, edibles and vaporizer accessories. The company also sells a line of branded hash-oil concentrates under the "Native Roots Extracts" brand. It operates an indoor cultivation facility and has won numerous industry awards for the operation.

New Vansterdam

Vancouver, Washington
www.newvansterdam.com

New Vansterdam is an operator of a cannabis dispensary in Washington. The company offers a selection of cannabis flower, concentrates, edibles and topicals. It also offers online ordering.

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Northwest Cannabis Solutions

Olympia, Washington
www.nwcs425.com

Northwest Cannabis Solutions is a manufacturer of white-label cannabis products. The company offers cannabis flower cultivation, extraction and infused edibles. It supplies dispensaries throughout Washington.

NWT Holdings (Firefly)

San Francisco, California
www.thefirefly.com

NWT Holdings is a vaporizer technology company. The company designs and manufactures branded convective-heating vaporizers under the "Firefly" brand. Its portable vaporizer is designed for use with concentrates and flower.

Organa Brands

Denver, Colorado
www.organabrands.com

Organa Brands is a manufacturer and distributor of cannabis products and vaporizers. The company manufactures and retails its products under the Organa Labs, O.penVAPE, Bakked, Magic Buzz and District Edibles brands. The company's products are distributed through 1,200 dispensaries across ten states.

PAX Labs

San Francisco, California
www.paxvapor.com

PAX Labs is a vaporizer technology company that designs and manufactures branded vaporizers that use conductive heating. The company's portable vaporizers are designed for use with concentrates and flower.

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PharmaCielo

Rionegro, Colombia
www.pharmacielo.com

PharmaCielo is an emerging global supplier of naturally grown and processed, standardized medicinal-grade cannabis extracts. The company holds the first cannabis-processing license issued under the legal framework of Colombia's cannabis laws and has one of the largest cultivation platforms in the cannabis industry, with more than 14.6 million square feet of company-owned or contracted open-air greenhouses in Colombia, South America.

PRØHBTD Media

Los Angeles, California
www.prohbtd.com

PRØHBTD Media is a vertically integrated digital media company. The company provides digital agency services to cannabis brands, maintains a cannabis-related art, music, video, fashion, travel and lifestyle website and develops original media content focused on the cannabis industry.

Qind

San Francisco, California
www.qind.com

Qind is a producer and distributor of branded cannabis products, including flower, concentrates, edibles and other infused products. The company sells directly to consumers through in-home events, e-commerce and next-day home delivery. The company also provides educational materials and content to its customers through its social network.

River Collective

Sacramento, California
www.rvrdc.com

River Collective is a distribution company for branded cannabis products. The company partners with businesses throughout California that produce cannabis flower, concentrates and edibles.

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Rubicon Organics

Bellingham, Washington
www.rubiconorganics.com

Rubicon Organics is a licensed cannabis cultivator specializing in the growing, processing, packaging and marketing of cannabis. The company is developing greenhouses in Washington and California.

S2S Development

San Francisco, California
www.s2s-inc.com

S2S Development is a contract manufacturer and distributor of cannabis products. The company provides manufacturing, co-packing, testing and distribution services to cannabis companies.

SC Laboratories

Santa Cruz, California
www.sclabs.com

SC Laboratories is a cannabis lab-testing company. The company tests cannabis and cannabis-based products for potency, pesticides and microbiology, adhering to FDA and other guidelines in its testing. The company also provides consulting services to cultivators, dispensaries and producers of cannabis-infused edibles to implement industry best practices.

Scrubbed

San Francisco, California
www.scrubbed.net

Scrubbed is an outsourced bookkeeping, accounting and tax firm serving the cannabis industry. The company has a dedicated cannabis practice that provides clients with comprehensive turnkey accounting and tax solutions.

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SPARC

San Francisco, California
www.sparcsf.com

SPARC operates three cannabis dispensaries. It also provides lab-testing services. In addition to the company's dispensary locations, the company provides a direct-to-consumer delivery service for flower, pre-rolls, concentrates, edibles, seeds and accessories. The company performs in-house testing of its products and operates its own cultivation facility.

Spectrum King

Canoga Park, California
www.spectrumkingled.com

Spectrum King is a producer of cannabis grow lights and accessories. The company offers a range of full-spectrum LED grow lights and grow tents. Its products are available through a network of international distributors.

Steep Hill Labs

Berkeley, California
www.steephill.com

Steep Hill Labs is a cannabis lab-testing company that tests cannabis and cannabis-based products for potency, pesticides and microbiology. The company has developed QuantaCann2™, an in-field cannabis-testing technology system; GenKit™, a male cannabis-plant identification system; and Strain Fingerprint™, a graphical depiction of a strain's most common cannabinoids. The company has locations or licensees nationwide.

StickyGuide

Los Angeles, California
www.stickyguide.com

StickyGuide is a digital media company that operates an online content and directory site focused on cannabis consumers. The company's website provides detailed cannabis-strain information as well as reviews. The company also provides a dispensary locator. The website maintains an active member base and an online user-generated content forum.

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Strainz

Las Vegas, Nevada
www.strainz.com

Strainz is a cannabis-brand management company. The company partners with producers to create cannabis oil cartridges and tinctures. Its products are available in dispensaries located in Colorado, Nevada and Washington.

Teewinot Life Sciences

Tampa, Florida
www.tlscorp.com

Teewinot Life Sciences is a pharmaceutical company focused on the biosynthetic production of cannabinoids. The company has developed processes for cannabinoid formulations intended for cannabinoid-based human therapies.

Tikun Olam

Safed, Israel
www.tikun-olam.info

Tikun Olam produces and supplies cannabis in Israel. The company cultivates medical cannabis strains, conducts research and educates patients on the use of medical cannabis. It conducts business in Israel, Canada, Australia and the United States.

Treez

Fremont, California
www.treez.io

Treez is a software company that has developed an enterprise resource-management platform for cannabis dispensaries. The company provides software and services to support all aspects of operations in dispensaries located throughout a number of states.

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Trellis

Oakland, California
www.trellisgrows.com

Trellis provides inventory-management software for the cannabis industry. The company provides software to aid cultivators, producers and dispensary operators in tracking their business from seed to sale. The software is designed to aid customers in compliance.

Trulieve

Quincy, Florida
www.trulieve.com

Trulieve is an operator of medical cannabis dispensaries in Florida, offering a selection of concentrates in the form of capsules, syringes, tinctures and vaporizers. The company also maintains its own cannabis cultivation facility.

Utopia Farms

Santa Cruz, California
www.utopiafarms.org

Utopia Farms is a producer of branded cannabis products. The company produces cannabis flower, concentrates and cannabis-infused macaroons that are available in dispensaries throughout California.

VapeWorld

Boca Raton, Florida
www.vapeworld.com

VapeWorld operates an online e-commerce website dedicated to cannabis accessories. Vaporizers from leading manufacturers, as well as parts and accessories, are available on its website. The company also provides consumers with online content about vaping.

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Vapexhale

San Francisco, California
www.vapexhale.com

Vapexhale is a vaporizer technology company that designs and manufactures branded vaporizers that use conductive heating. The company develops tabletop and portable vaporizers that are designed for use with concentrates and flower.

VCC Brands

Los Angeles, California
www.vccbrands.com

VCC Brands is a manufacturer of branded cannabis-infused products. The company offers cannabis-infused beverages, cookies, chocolates, teas, honeys, cooking oils and tinctures. Its products are available in dispensaries located throughout California and Washington.

Vuber

Seattle, Washington
www.vubervaporizers.com

Vuber is a manufacturer of cannabis vaporizers. The company designs and markets cannabis vaporizers and vaporizer accessories that are available in retail stores and dispensaries in Washington and Oregon. The company's products are also available online.

Wana Brands

Boulder, Colorado
www.wanabrands.com

Wana Brands is a producer of cannabis-infused products, including cannabis-infused candies and capsules. Its products are available in dispensaries in Colorado, Oregon and Nevada.

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Web Joint

Los Angeles, California
www.webjoint.com

Web Joint is an online technology software-as-a-service company. The company provides software for dispensaries to manage point-of-sale transactions, online ordering and delivery management. The software integrates with a dispensary's website for a white-labeled software solution.

Weedguide

San Diego, California
www.weedguide.com

Weedguide is a digital media company that operates a cannabis-centric search engine and an informational website about recreational and medical cannabis. The site offers a collection of articles, videos, products, dispensary locations, recipes and strain information.

Weedmaps

Orange County, California
www.weedmaps.com

Weedmaps is a digital media company that operates an online networking and content directory site. The company allows users to locate and view reviews of local cannabis dispensaries, as well as user-generated strain reviews.

Wellness Connection of Maine

Portland, Maine
www.mainewellness.org

Wellness Connection of Maine is an operator of medical cannabis dispensaries in Maine. The company offers a selection of cannabis flower, concentrates, edibles and recipes.

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CHAPTER IX
Cannabis Industry Risk Factors

Companies in the cannabis industry are subject to many risks. The realization of one or more of these risks could have a material adverse effect on the business and results of operations of a company and on its lenders, investors and principals. The following discussion highlights some, but not all, of these risks.

Risks Related to U.S. Federal Law

- The manufacture, distribution, dispensing and possession of cannabis are strictly controlled under the Controlled Substances Act (CSA), irrespective of whether such activities comply with applicable state law. Financial transactions in connection with cannabis-related violations of the CSA may violate other federal laws. Individuals and businesses—including the principals, employees, directors, agents, lenders and investors of such businesses—that violate the CSA or such other laws are subject to fines, asset seizure and imprisonment under federal law.
- Federal statutes and policies that currently restrict or deprioritize enforcement of certain CSA violations related to cannabis are subject to expiration, rescission and other changes. There can be no assurance that in the future the federal government will not strictly and aggressively enforce cannabis-related CSA provisions.
- If CSA controls applicable to cannabis are relaxed or repealed in the future, other federal laws and regulations governing the production, distribution and marketing of products for human consumption, such as the Federal Food, Drug, and Cosmetic Act, may be more strictly enforced by the federal government in relation to the cannabis industry.
- CSA controls and federal enforcement priorities applicable to cannabis both preclude interstate commerce in cannabis and cannabis products. As a result, it can be costly or impractical for companies in the cannabis industry to operate in multiple states and to gain economies of scale through centralized operations.

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- Federal income tax law precludes a business that "consists of trafficking in" cannabis or cannabis products from deducting certain operating expenses in determining its federal income tax. As a result, businesses in the cannabis industry may have effective tax rates significantly higher than other businesses subject to federal income tax, may owe tax on taxable income that is not actual economic income generated by the business and may have tax liabilities in amounts that exceed cash reserves.
- Because of CSA controls on cannabis and federal laws applicable to banks and other financial institutions, companies in the cannabis industry may not be able to open or maintain bank accounts or access products and services of traditional financial institutions, such as credit facilities, payment processing and insurance coverage. A lack of access to banking and other traditional financial products and services increases the time, effort and expense related to ongoing operations and increases risks associated with cash transactions and the use of alternative products and services.
- Trademarks used by companies to identify, distinguish or indicate the source of cannabis or related products or services that are illegal under federal law are not eligible for registration under federal trademark law, which is generally recognized as the most comprehensive trademark protection available in the United States. Alternative means of protecting such trademarks may not be available or may provide protections inferior to the protection provided by federal registration.
- Protections afforded under federal bankruptcy law generally are not available to companies whose assets consist of federally illegal cannabis products or proceeds therefrom or to the creditors of such companies.
- The federal government may pursue legal action against a state related to the state's cannabis laws, which may result in significant changes to the state's legal landscape as it relates to cannabis and may materially and adversely affect cannabis businesses in the state.
- Cannabis companies outside the United States whose business plans anticipate eventual access to U.S. markets face uncertainty as to the timing or nature of changes in federal law that would allow importation of cannabis products into the country.

Risks Related to U.S. State and Local Laws

- State laws and regulations that legalize or decriminalize cannabis and related activities are relatively new and may change significantly or be reversed. The extent and nature of any such changes are not foreseeable and may force cannabis companies to materially alter their business models, suffer material losses or cease operations entirely.
- State and local laws may limit the number of cannabis businesses in the state or in a particular locality, restrict the nature of such businesses (for example, by prohibiting for-profit cannabis businesses) or place restrictions on the persons permitted to own or operate such businesses.
- Many state and local jurisdictions support legalizing or decriminalizing cannabis activities primarily for the potential to generate tax revenue, and there is significant public pressure to impose a heavy tax burden on those participating in the cannabis industry. State and local governments may impose significant taxes on commercial cannabis activity and may do so unpredictably.

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- There is currently a lack of broad interstate reciprocity with respect to cannabis laws.
- Even in states where cannabis is legal under state law, local jurisdictions may impose bans or restrictions that materially interfere with or effectively prevent the operation of cannabis businesses within their boundaries.

Risks Related to the Manufacture and Sale of Cannabis Products

- Cannabis companies are exposed to various product liability claims associated with human consumption of cannabis products, including claims that products cause injury, illness, possible side effects or interactions with other substances, or that products include inadequate instructions for use or warnings concerning health risks.
- Cannabis companies may be subject to product recalls for a variety of reasons, including product defects, such as contamination. Such recalls may result in financial burdens and reputational harm and may subject cannabis companies to increased regulatory scrutiny.
- Consumer perception of cannabis products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis. Any unfavorable developments in these areas could have a material adverse effect on the demand for cannabis products in general or on the products or prospects of a particular company.

Risks Related to Early-Stage Cannabis Companies

- Most cannabis companies are in early stages of development and have limited operational history, so it is difficult to accurately predict and forecast their business operations. Many cannabis companies will fail.
- The success of many early-stage cannabis companies is premised on receiving and maintaining the licenses, permits and regulatory approvals required for their proposed cannabis activities. Many of such companies will not receive or maintain such licenses, permits and approvals or may be able to do so only at significant expense.
- Cannabis companies' access to the capital required to grow and to finance ongoing operations involves challenges particular to the industry's uncertain and rapidly evolving legal landscape. Many early-stage companies in the cannabis industry will not be able to obtain the requisite capital or will run out of capital prior to reaching profitability.
- Early-stage cannabis companies may experience unexpected problems in the areas of product development and quality, manufacturing, marketing and general management, which, in some cases, cannot be adequately solved. Companies may also be subject to product pricing and cost pressures and to claims of intellectual property infringement.

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Other Risks to Companies in the Cannabis Industry

- The cannabis industry is extremely competitive in most segments, with certain companies having unique competitive advantages such as greater capital resources, first-mover advantage, more scalable business models and greater brand recognition.
- To date, the research conducted on cannabinoid-derived pharmaceuticals and other cannabis-based therapies is limited. There is no assurance that cannabinoid-derived pharmaceuticals or other medical products will prove effective in treating medical conditions or achieve broad market acceptance.
- Given the emerging nature of the cannabis industry, there is a scarcity of qualified personnel with deep industry experience and significant competition for such qualified personnel. Many cannabis companies may not be successful in attracting, training, integrating, motivating or retaining qualified management teams and other personnel.
- Cannabis is an agricultural product. The occurrence of diseases, insects, pests, mold and other infestations and severe adverse environmental conditions, such as fire, drought, hail, flood or frost, is unpredictable, may have a potentially devastating impact on agricultural production of cannabis and may otherwise adversely affect the supply of cannabis.
- The cannabis industry is particularly vulnerable to rapidly changing technology, government regulation and relatively high risks of obsolescence caused by scientific and technological advances. The success of cannabis companies will depend in part on their ability to anticipate market, legal, technological and other trends in the industry. Many cannabis companies will fail to accurately identify or predict industry trends.
- Cannabis laws and regulations in jurisdictions outside the United States vary widely and, in some cases, are as complex, contradictory and rapidly changing as those within the United States. Cannabis companies operating outside the country's borders are subject to risks related to the unsettled legal environment applicable to cannabis.
- Due to federal controls on cannabis within the United States and similar restrictions in many jurisdictions outside the country, there is a significant black market for cannabis products. Government-regulated cannabis businesses face competition from black market participants and are subject to different market forces than those of the black market.

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CHAPTER X
Glossary of Terms

Ackrell Capital, LLC a leading independent investment bank focused on the cannabis industry

ACMPR Canada's Access to Cannabis for Medical Purposes Regulations

Aeroponics a method of growing plants whereby the roots hang suspended in a nutritional aerosol solution

Bankruptcy Code Bankruptcy Reform Act of 1978

BHO Butane hash oil. *See* Hash oil

Bong a device used to smoke cannabis flower via a water chamber through which the smoke passes prior to inhalation; commonly made of glass or plastic

BSA Bank Secrecy Act

Bud a slang term for cannabis flower

Cannabichromene (CBC) a nonpsychoactive cannabinoid believed to have several medicinal benefits, including analgesic, antibacterial, anticancer, antidepressant, antifungal, anti-inflammatory and anti-insomnia

Cannabidiol (CBD) a nonpsychoactive cannabinoid believed to have wide-ranging medicinal benefits and therapeutic applications; the second most abundant cannabinoid in cannabis

Cannabidiolic acid (CBDA) a nonpsychoactive cannabinoid believed to have several medicinal benefits, including anticancer, antiemetic and anti-inflammatory; the precursor to cannabidiol (CBD)

Cannabigerol (CBG) a nonpsychoactive cannabinoid believed to have several medicinal benefits and therapeutic applications; may partially counteract the psychoactive effect of THC and decrease anxiety and muscle tension

Cannabigerolic acid (CBGA) a nonpsychoactive cannabinoid that is a precursor to all other cannabinoids, including THC, CBD, CBC and CBG

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Cannabinoid a class of chemical compounds present in cannabis that act on cannabinoid receptors in cells in the human nervous and immune systems

Cannabinol (CBN) a cannabinoid derived from THC degradation; shown to produce some psychoactive effects and believed to have several medicinal benefits, including analgesic, antibacterial, anticonvulsive, anti-inflammatory and anti-insomnia

Cannabis a genus of flowering plant consumed for therapeutic, medicinal, social or spiritual purposes and used to produce goods such as rope, paper, clothing and soap; includes three principal cannabis species: *Cannabis sativa, Cannabis indica* and *Cannabis ruderalis*

CBC *See* Cannabichromene

CBD *See* Cannabidiol

CBDA *See* Cannabidiolic acid

CBG *See* Cannabigerol

CBGA *See* Cannabigerolic acid

CBN See Cannabinol

CDSA Canada's Controlled Drugs and Substances Act

Chemovar a plant variety characterized by its chemical content

Clone an asexually reproduced cannabis plant genetically identical to the plant from which it was produced

CND Commission on Narcotic Drugs, a subsidiary body of the United Nation's ECOSOC that assists the ECOSOC in supervising the application of international drug control treaties

Cole Memo a memorandum published by the DOJ that provides guidance to DOJ attorneys and federal law enforcement about prosecuting cannabis-related federal offenses

Concentrates a category of consumer cannabis products; any number of concentrated forms of the active compounds in cannabis; typically an oil or waxlike substance

Conventions three international treaties adopted through the United Nations between 1961 and 1988 that address international regulation of cannabis, cannabis derivatives and many other narcotic, psychotropic and similar substances (The Single Convention on Narcotic Drugs of 1961; The Convention on Psychotropic Substances of 1971; and The United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances of 1988)

Crumble a form of wax concentrate

CSA Controlled Substances Act

CSE Canadian Securities Exchange

Curing a phase of the cannabis cultivation process during which dried cannabis flower undergoes controlled fermentation to develop the flower's aroma, taste and cannabinoid composition

Dab a potent concentrated form of the psychoactive cannabinoid THC

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DEA U.S. Drug Enforcement Agency, an agency of the U.S. Department of Justice

Delta-9-Tetrahydrocannabinolic acid (THCA) a nonpsychoactive cannabinoid found abundantly in raw flower; precursor to THC; decarboxylates into THC through the application of intense heat

DHHS U.S. Department of Health and Human Services

DOJ U.S. Department of Justice

DOT U.S. Department of the Treasury

Dronabinol a form of chemically synthesized THC included in certain FDA-approved pharmaceuticals; a Schedule II or Schedule III controlled substance under the CSA, depending on its preparation

Drying a part of the harvesting phase of cannabis cultivation during which plants are dried; typically occurs at room temperature in a dark space

ECDD Expert Committee on Drug Dependence; a committee of the World Health Organization (WHO) tasked with making drug control recommendations to the CND on behalf of the WHO

ECOSOC Economic and Social Council, one of the six main organs of the United Nations established under the United Nations charter in 1945

Edible a food- or drink-based infused product intended for oral consumption; commonly baked goods, flavored drinks or candies

Endocannabinoid cannabinoids created naturally by the human body

Exchange Act Securities Exchange Act of 1934

Extraction a process for extracting active compounds from the cannabis plant; extraction techniques fall into two general categories, solvent-based extraction and solvent-free extraction

Farm Bill Agricultural Act of 2014

FDA U.S. Food and Drug Administration, an agency of the DHHS

FD&C Act Federal Food, Drug, and Cosmetic Act

FinCEN Financial Crimes Enforcement Network, a bureau of the DOT

FinCEN Memo a memorandum published by FinCEN outlining how banks and other financial institutions can, consistent with their BSA obligations, provide services to marijuana-related businesses

Flower the flower of the cannabis plant, also known as "bud"; the highest concentration of active compounds present in cannabis are found in the flowers of unpollinated female cannabis plants; smoking flower is the most popular method of cannabis consumption

Ganja a popular name for cannabis

Germination the process by which a dormant seed begins to sprout and grow into a seedling

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Hash oil a concentrate prepared through extraction using a butane solvent; also known as hashish oil, butane hash or honey oil (BHO), cannabis oil or liquid cannabis

Hashish (hash) a concentrate made up of compressed or purified trichomes

Hemp the fiber produced from the stalks of the cannabis plant, which can be used to produce goods such as rope, paper and clothing; also refers to varieties of cannabis cultivated to produce industrial hemp products

HID lamp a high-intensity discharge lamp; a category of lamp used for indoor cannabis cultivation

Hit a slang term for one inhalation from a cannabis smoking device or vaporizer

Homeostasis a process by which biological systems tend to maintain internal stability, or balance

Human endocannabinoid system a system of nervous and immune system receptors involved in regulating health and physiological functions within the human body

Hybrid a cannabis variety that is a genetic cross of two or more different cannabis species or varieties produced through sexual reproduction

Hydroponics a method of growing plants whereby the roots grow in a nutrient-rich sand, gravel or liquid growth medium

Indica one of three principal cannabis species; indica plants tend to be short and bushy

Infused products a category of consumer cannabis products; ingestible products that have been infused with cannabinoids and other active compounds from the cannabis plant

IRC Internal Revenue Code

IRS Internal Revenue Service

Joint a hand-rolled cannabis cigarette

Kief a concentrate composed of trichomes that are separated from the cannabis flower by sifting the flower with specialized filtering screens

LED a light-emitting diode; a category of lamp used for indoor cannabis cultivation

Marijuana a slang term for dried cannabis flower; a legal term for certain parts and derivatives of the cannabis plant defined in the CSA

MAUCRSA California's Medicinal and Adult Use Cannabis Regulation and Safety Act

Nabilone a form of chemically synthesized cannabinoid similar to THC included in an FDA-approved pharmaceutical; a Schedule II controlled substance under the CSA

Nasdaq Nasdaq Stock Market

NDA New Drug Application; an application submitted by a drug manufacturer to the FDA for approval of a drug

NYSE New York Stock Exchange

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Oil a category of viscous cannabis concentrates

OTC over-the-counter stock market

Pipe a device used to smoke cannabis flower; commonly made of glass, wood or metal

PPM a private placement memorandum; used by issuers of securities in private offerings to market securities

PVPA Plant Variety Protection Act

Ruderalis one of three principal cannabis species; ruderalis plants are shaggy and the shortest of the three species

SAR Suspicious Activity Report; required to be filed by financial institutions with FinCEN regarding customers engaged in marijuana-related businesses

Sativa one of three principal cannabis species; sativa plants are generally tall, thin and wispy

SEC U.S. Securities and Exchange Commission

Section 280E Internal Revenue Code section 280E

Securities Act Securities Act of 1933

Shatter a concentrate prepared through solvent-based extraction; typically has an amber-glass transparency

Strain another term for a cannabis plant variety

Terpene a class of organic compounds present in cannabis and many other plants; responsible for a plant's aroma and flavor; believed to have wide-ranging therapeutic applications

Tetrahydrocannabinol (THC) delta-9-tetrahydrocannabinol and certain chemical variants, including delta-8-tetrahydrocannabinol; the psychoactive compound in cannabis primarily responsible for the euphoric feeling of being "high"; the most abundant cannabinoid in cannabis; believed to have wide-ranging medicinal benefits and therapeutic applications

THC *See* Tetrahydrocannabinol

THCA *See* Delta-9-Tetrahydrocannabinolic acid

Tincture a concentrate suspended in an alcohol solution; usually placed under the tongue using a dropper (sublingual application)

Topical an infused product intended for topical application; typically a lotion, balm, cream, lubricant or transdermal patch

Trichome a crystalline or hairlike component that secretes cannabinoids, terpenes and other compounds; generally occur all over the cannabis plant, but found in highest concentration on the flower

TSX Toronto Stock Exchange

TSXV TSX Venture Exchange

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UN United Nations

UNGASS United Nations General Assembly Special Session

UNODC United Nations Office on Drugs and Crime

USDA U.S. Department of Agriculture

USPTO U.S. Patent and Trademark Office

Vaporizer a device that heats cannabis flower or concentrate to a temperature at which its active compounds boil and can be inhaled as vapor

Variety a plant grouping within a single botanical taxon of the lowest known rank (species) with defining characteristics that distinguish it from any other plant grouping within such rank

Wax a category of cannabis concentrates; refers to the softer, opaque oils that have lost their transparency after extraction

Weed a slang term for dried cannabis flower

WHO World Health Organization, an autonomous intergovernmental organization that collaborates with the United Nations and other organizations on global health matters

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Ackrell Capital Cannabis Team

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Mike Ackrell founded Ackrell Capital in 2003. Previously, Mr. Ackrell was the Head of ABN AMRO's U.S. Technology Investment Banking Group and the Head of Investment Banking at WR Hambrecht+Co. He also was a Senior Vice President in the Technology Investment Banking Group of Donaldson, Lufkin & Jenrette, where he began his investment banking career in 1988. Mr. Ackrell has completed more than 150 financing transactions, including more than 50 initial public offerings, and more than 100 M&A transactions, totaling more than $15 billion in value. He serves on the Board of Directors of a number of companies, including American Giant, Scrubbed and Vator.tv. Mr. Ackrell holds a B.S. in Economics, summa cum laude, with majors in Finance and Accounting, from the Wharton School of the University of Pennsylvania.

Tim Coxon
General Counsel
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Tim Coxon joined Ackrell Capital in 2017 after serving as the firm's legal counsel for more than five years. Previously, Mr. Coxon was a corporate finance attorney in Silicon Valley focused on venture capital fund formation, early stage company financings, mergers and acquisitions and related areas of tax and securities law. He has advised dozens of VC firms on fund and management-level structuring and portfolio company investment transactions, and has advised private companies in M&A transactions valued at more than $1.5 billion. Mr. Coxon also has worked as a consultant performing financial and economic analysis for use in corporate litigation and regulatory matters, and taught college level mathematics for more than 13 years, including 7 years as an adjunct statistics professor for the M.B.A. program at Santa Clara University. Mr. Coxon holds a J.D. from the Santa Clara University School of Law, an M.A. in Mathematics from San Francisco State University, and a B.A. in Mathematics from the University of Texas at Austin.

Bryan Castillo
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Bryan Castillo joined Ackrell Capital in 2015. Previously, Mr. Castillo served as an adviser to governments on economic and foreign policy. He has more than 10 years of investment banking experience focused primarily on cross-border transactions spanning Asia, Europe and the Middle East. Mr. Castillo has experience in a number of industries, including agriculture, cleantech, consumer, energy, media, real estate and technology. He has advised on more than 50 financing transactions, primarily with state-owned enterprises and private companies. Mr. Castillo works closely with several family offices on private equity and venture capital investments. Mr. Castillo holds a B.S. in Economics from the Pennsylvania State University.

Jeff Mathews
Partner
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Jeff Mathews joined Ackrell Capital in 2015. Previously, Mr. Mathews was a Director with Seven Hills Group, a boutique investment bank focused on middle-market technology companies. He has more than 15 years of investment banking experience and was also an Associate in the Technology Investment Banking Groups at Deutsche Bank and Lehman Brothers. He has advised on a broad range of financings and M&A transactions across a variety of technology industries totaling more than $10 billion in value. Mr. Mathews holds a B.A. in Economics from the University of Chicago.

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ACKRELL CAPITAL

THE GREEN FIELD 2018

Production

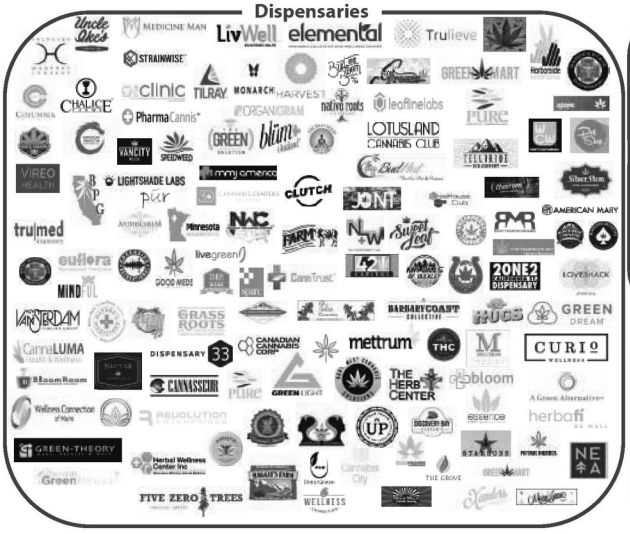
Cultivation

Production Equipment and Supplies

Production and Testing Services

Distribution

Dispensaries



E-Commerce

Distribution Services

THE GREEN FIELD 2018

Consumer Products

Flower and Concentrates

absolutextracts, kurvana, JETTY, Eel River Organics, FRESH off the vine, Select, LeveL 7, wana, MARY'S MEDICINALS, CW BOTANICALS, phreb, panda, dàmà, ODYSSEY, GREENDOT, UTOPIA FARMS, Humboldt Legends, ISLAND, EVOLVE, WHEELS, GrameLabs, MARLEY, Xt, WINK, Butter, CALIFORNIA Finest, THC, PHYTECS, SHANGO, CANNDESCENT, etst, GOLDEN LEAF, LEGION, JUST HERB, FARM, LOLA LOLA, 420, SHERBINSKIS, CANNAVEST, STATE, Buddy Boy BRANDS, CannaCRAFT, WILLIE'S RESERVE, GANJAGOLD, Sunday Goods, BRITE, AQUARIUS, STATE FLOWER, elixinol, Spliffin, FATTY'S, QUALITY CONCENTRATES, CF, Apple Dreams, DABTEK, CURA, swami, Sweet Green, NATIV, THE CLEAR, nuLeaf, craft, Gold Coast, TETRALABS·CA

Infused Products

DIXIE, Bang, KIVA, DÉFONCE, THE ART OF EDIBLES, MEDICALLY CORRECT, GOOD, AMERICAN GREEN, CBD Naturals, blaze, kiloko, VALHALLA, STILLWATER, peak, infusiam, incredibles, EVER, reTreat, drip, NS, LUNCHBOX ALCHEMY, Dutch Harvest, SOMATIK, strainz, ZASP, QUIGLEY'S, Herb, SWEET GRASS, MOUNTJOY SPARKLING, Kudu, ZOOTS, Dabba, Cheeba Chews, PLUS, PAPA & BARKLEY, SERRA, BREWBUDZ, FRUIT SLABS, ZENDO, PUNCH EDIBLES, CALIGOLD, ALTAI, BREEZ, Yummi Karma, LEIF GOODS, Beiru, DR. NORMI, RITUAL, apothecanna, MOTA, elbe's edibles, SATORI, kindmedicine, CHOOSELOVE, hobi, KANEH CO

Vaporizers and Accessories

PAX, VUBER, VapeWorld, Firefy, sunburn, dosist, BEBOE, ANNABIS, PALLIATECH, EVOXE LABORATORIES, KANDYPENS, V2, MCIG, syqe medical, MIGVAPOR, KUSH BOTTLES, THIS THING RIPS!, CannaKorp, WHITE RHINO, ATMOS

Pharmaceuticals

GW, TEEWINOT LIFE SCIENCES, Arena, Zynerba, PHARMACYTE BIOTECH, CARA, insys THERAPEUTICS INC, CannabisScience, botanixpharma, Cannabics

Business Solutions

Business Software

NJ FREEWAY, BioTrackTHC, BDS, POTBOTICS, AmpleOrganics, VIRIDIAN SCIENCES, KUDU, webpint, CannaBuild, leafLink, flowhub, greenbite, trellis, my2check, HEADSET, TOOKAN, endexx, BAKER, TREEZ

Business Services

MJARDIN, scrubbed, hypur, Viridian, NUMERICA, GENERAL, SericaPay, THOBAN, 3C, THC SHIPPING GROUP, CLAB, CANNAPRO, VANGUARD, PRANA, ZONED PROPERTIES INC, American Cannabis Company, BLUELINE, CANNASURE

Digital Media

Online Content and Networking

High Times, PROHBTD, GREEN FLOWER, GREEN DAILY, KUSH GUIDE, duby, MedicalJane, FRESH TOAST, HIGH TIMES, REENITO, MassRoots, weedguide, vibe leaf, THEWEEDBLOG, Grasscity

Online Directories

weedmaps, THC Biz, Guide, Leafly, MANTIS, Leafbuyer.com, DCPE DIRECTORY, Ganjapreneur, KALOGIA, CANNABIS REPORTS, Northcoutur

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TOP 100 PRIVATE CANNABIS COMPANIES 2018

AEssenseGrows	Défoncé	Jetty Extracts	River Collective
Ample Organics	Dixie Elixirs	Kikoko	Rubicon Organics
Apeks Supercritical	Dosist	KIVA Confections	S2S Development
The Apothecarium	Eaze Solutions	Korova	SC Laboratories
Auntie Dolores	Eel River Organics	LeafLink	Scrubbed
Baker Technologies	Elemental Wellness	Leafly	SPARC
BAS Research	Euflora	Level Blends	Spectrum King
BDS Analytics	Evolve Therapeutics	LivWell Enlightened Health	Steep Hill Labs
Beboe	Evoxe Laboratories	Lunchbox Alchemy	StickyGuide
Berkeley Patients Group	Flow Kana	Mary's Medicinals	Strainz
BioTrackTHC	Flowhub	Meadow	Teewinot Life Sciences
Bloom Farms	FunkSac	Merry Jane	Tikun Olam
Brewbudz	Garden State Dispensary	MiNDFUL	Treez
Bud and Bloom	GFarmaLabs	MJ Freeway	Trellis
Calyx Brands	Gold Coast Extracts	MJardin	Trulieve
Cannabis Reports	Green Dot Labs	MM Acquisition Co.	Utopia Farms
CannaCraft	Green Flower Media	Native Roots	VapeWorld
CannaKorp	Green Rush	New Vansterdam	Vapexhale
Colorado Harvest Company	The Green Solution	Northwest Cannabis Solutions	VCC Brands
Columbia Care	Harborside Health Center	NWT Holdings (Firefly)	Vuber
Confident Cannabis	Harvest	Organa Brands	Wana Brands
Cultivation Technologies	Headset	PAX Labs	Web Joint
Cura Cannabis Solutions	HelloMD	PharmaCielo	Weedguide
CW Analytical	Humboldt Legends	PRØHBTD Media	Weedmaps
Deep Cell	Incense Specialties	Qind	Wellness Connection of Maine

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Cannabis

AHEAD OF THE CURVE® SERIES

COWEN'S COLLECTIVE VIEW OF CBD

FEBRUARY 25, 2019

11 Cowen analysts across consumer, health care, industrials, and regulatory offer a comprehensive view of the global CBD opportunity.

Nearly 7% of adults in our proprietary U.S. survey (n = ~2,500) reported using CBD as a supplement, far higher than we expected.

We believe U.S. CBD can conservatively generate sales of $16 bn by 2025. We offer detailed analysis at the sub-category level, as well as company-specific discussions, including Outperform rated WEED, TLRY, and TPB.

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COLLABORATIVE INSIGHTS

February 25, 2019

■ Cannabis

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COLLABORATIVE INSIGHTS

COWEN'S COLLECTIVE VIEW OF CBD - AHEAD OF THE CURVE SERIES

THE COWEN INSIGHT

In a collaboration featuring 11 analysts spanning Cowen's consumer, health care, industrials and regulatory teams, we offer a deep dive on the global cannabis market, with a particular emphasis on the U.S. For consumer goods, we believe the U.S. CBD market could represent a $16 bn opportunity by 2025.

$16 bn Consumer Opportunity (Azer, Blackledge, Charles, Chen & Kernan)

In our monthly proprietary consumer survey (n = ~2,500) we were surprised to see that nearly 7% of respondents in January 2019 reported using CBD as a supplement. This strong consumer interest is validated by the growing number of brands and form factors that are now available through increasingly diverse retail channels, including Amazon, Sephora and Neiman Marcus. That said, consumption of CBD on-premise will likely take longer, given regulatory uncertainty. And, while our analysis primarily focuses on consumer staples applications for CBD, it is interesting to see a growing number of specialty apparel brands embrace hemp as a sustainable textile.

Retail sales of CBD consumer products in 2018 have been estimated between ~$600 mm and $2 bn. By 2025, we believe CBD offerings could conservatively generate $16 bn in retail sales (assuming a ~40% increase in consumer incidence, to 10%, and spend of less than $2 / day). Our bottom-up analysis anticipates a diverse category, that is still led by traditional health & wellness form factors (e.g., $6.4 bn in nutraceuticals, and $4 bn in topicals). And, while likely smaller, we also expect categories like food, beverages, beauty and vapor to all generate sales between ~$1-2.5 bn by 2025.

Herein, we offer a detailed look at category brand and pricing architecture in the U.S. CBD market today, as well as detailed discussions of 21 public and private operators that currently have exposure to the category, including Outperform rated Canopy Growth, Tilray and Turning Point Brands, which have all announced plans to enter the U.S. CBD market.

The Science of CBD (Nadeau)

Cannabis's therapeutic potential is attributable to the valuable overlap between phytocannabinoids (i.e. plant-derived cannabinoids) and the endogenous cannabinoid system in humans, termed a "therapeutic handshake." While THC's activity in the body is fairly well elucidated, CBD's pharmacokinetics are less well understood (no specific receptor for CBD has been identified). Clinical trial results to date demonstrate few adverse effects from oral CBD doses of up to 1500 mg/day or up to 30mg IV. The scientific understanding of CBD's clinical effects is based mostly on studies in specific indications, like epilepsy. GW Pharma's Epidiolex (highly potent, pure formulation of CBD) was approved by the FDA in 2018 for the treatment of seizures associated with Lennox-Gastaut syndrome and Dravet syndrome, and other companies (Tilray, MMJ Phytotech, Insys) have clinical trials underway in seizure disorders as well.

CBD Hemp Cultivation (Neivert)

According to the National Conference of State Legislatures, 41 states have set up cultivation and production programs to regulate the production of hemp. There is little research on CBD hemp cultivation methods as hemp cultivation research historically has focused on fiber and grain/seed. This lack of research, combined with a number of variables that affect hemp for CBD yield, makes hemp for CBD cultivation much more art than science at this point. That said, no other crop in the U.S. offers the type of return of the CBD Plasticulture Model, and we would thus expect the country's two largest crops, corn and soybeans, to lose some acreage to CBD hemp.

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Synthetic Biology Provides Alternative Cannabinoid Production Method; Life Science Tools Well Positioned To Benefit From QA/QC Testing Opportunity (Schenkel)

As an alternative to cultivation-based methods, cannabinoids can be produced using either chemical or synthetic biology approaches. Synthetic biology methods, which harness fermentation to produce cannabinoids, are particularly attractive considering they can potentially produce a variety of cannabinoids while being highly scalable, efficient, and environmentally friendly.

While QA/QC testing standards for CBD currently vary greatly by state (if any exist at all), we expect Life Science Tools companies to benefit from this nascent market opportunity as testing regulations are implemented and standardized. Similar to medical/recreational cannabis testing, instruments such as mass spectrometers and liquid/gas chromatographs are utilized to analyze CBD samples. Key vendors for mass spectrometry and chromatography instruments include Agilent, Danaher (SCIEX), PerkinElmer, Shimadzu, Thermo Fisher, and Waters Corporation.

CBD From a Retailer and Payor Perspective (Rhyee)

Healthcare: Drug Retailer Perspective: CBD products appear to be gaining traction with independent pharmacies, many of whom are already selling or planning to sell CBD oils. Independent pharmacies likely find the high-margin profile of CBD oils attractive, which we suspect is similar to those of more traditional over-the-counter drugs, as well as the differentiation it affords independents relative to larger chain pharmacies. For those selling CBD oils today, the focus is on quality, particularly as it relates to bioavailability. Large pharmacy chains, such as CVS and Walgreens, don't currently sell CBD oil, but WBA noted it is monitoring the CBD market.

Healthcare: Payor Perspective: Generally speaking, managed care does not cover OTC products, with the same being true for Medicare and Medicaid. Based on our conversations with a number of payors, whether CBD oils will be covered as a medical benefit by government sponsored health programs is determined by the Center for Medicare and Medicaid Services (CMS) and state governments. Currently, CBD products are not a covered benefit, or an extra benefit, that has been approved by CMS or states, and it isn't known at this time whether CMS or states governments are considering reimbursement for CBD products. Separately, Payors noted three factors complicating commercial coverage of CBD oils, including (1) legal issues, as CBD oils derived from THC (cannabis) isn't legal if it contains equal to or more than 0.3% THC; (2) lack of regulation by the FDA; and (3) its availability as an OTC medication.

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Global Landscape (Azer)

While the global regulatory landscape varies, the CBD category outside of the U.S. has been evolving rapidly, with more change likely to come with the WHO's current evaluation of CBD, as well as its recent addition to the EU's Novel Food Catalogue. In Europe, CBD products are now widely available in markets like the U.K., Italy and Switzerland, though regulations vary with Italy allowing for "cannabis light" products, with allowable THC of as much as 0.6%, while in Switzerland CBD products can have as much as 1% THC, and are classified as a tobacco substitute. In Latin America, hemp has been in production since the 1500s is also rapidly expanding their regulatory frameworks around marijuana and hemp. Canadian licensed producers have been actively entering the market in Latin America to capitalize on this evolving opportunity, including Canopy Growth, Tilray, Aurora and Cronos.

Regulatory Outlook (Eric Assaraf - Cowen Washington Research Group)

The 2018 Farm Bill declassifies industrial hemp as a Schedule I substance, shifts regulatory authority from the DEA to the Department of Agriculture, and provides autonomy for states to regulate the industry. However, the new law does not change the FDA's oversight authority over CBD products and FDA Commissioner Scott Gottlieb has made it clear that his agency will continue to step in when certain health claims are made. Additionally, FDA has stated that CBD cannot be added to food products sold across state lines or marketed as a dietary supplement, regardless of whether it is hemp-derived. The FDA will explore new pathways for CBD to be sold legally; however, it seems clear that there will be a period of regulatory uncertainty over CBD products at the state and federal level.

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COWEN'S COLLECTIVE VIEW OF CBD

In a collaboration featuring 11 analysts across Cowen's consumer, health care, industrials and regulatory teams, herein we offer our outlook for the global CBD market, with a particular focus on the U.S. While little science exists supporting medical efficacy of CBD (with the exception of seizures, which GWPharma was able to prove with Epidiolex for Dravet syndrome and Lennox-Gastaut syndrome, as discussed in more detail herein), the popularity of CBD products seems to be growing exponentially in the U.S. Indeed, our consumer survey work suggest that close to 7% of adults in the U.S. already use CBD as a supplement.

With the category gaining increasing interest from consumers we have seen a swell in product innovation. And, the opportunity is increasingly drawing the attention of larger competitors (where for instance, WEED announced that they would consider spending as much as $500 mm in U.S. hemp / CBD). ***By 2025, we estimate that the U.S. CBD market could approach $16 bn (from $600 mm -$2 bn in 2018).***

Herein, we offer our views of:

1. Consumer Products Market Sizing (Azer)
2. The Science of CBD (Nadeau)
3. The Hemp / CBD Supply Chain: From Cultivation to Extraction (Neivert & Schenkel)
4. Consumer Products Opportunities (Azer)
5. The CBD Competitive Landscape - Public and Private Company Discussions (Azer)
6. Consumer Discretionary Retail and Brand Opportunities Across:
    a. Pharmacy (Rhyee)
    b. E-Commerce (Blackledge)
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    d. Specialty Brands (Kernan)
7. On-Premise Consumption Opportunities (Charles)
8. U.S. Regulatory Outlook (Assaraf, Krueger, Seiberg & Weissenstein)
9. Global CBD Landscape (Azer)
10. Additional Potential Opportunities for Hemp / CBD, Including
    a. Pharmaceutical Applications (Nadeau)
    b. Industrial Applications (Osborne)

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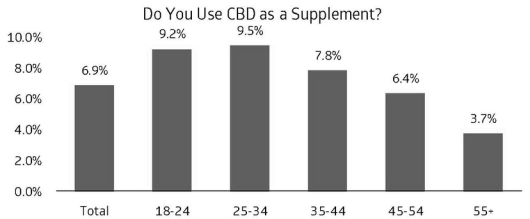
Consumer Products Market Sizing (Azer)

In our proprietary Cowen consumer survey (~2,500, 18+ respondents), we found that in January 2019 close to 7% of respondents indicated that they use CBD as a supplement. While this is only the first month's reading of the data (which can fluctuate from month to month), this initial response piqued our interest considerably, as it was much higher than we would have suspected. Indeed, to put the 6.9% incidence rate in context, that compares to JUUL use of 4.2%, and 19.6% of consumers that consider themselves a current tobacco user, per our survey.

From a user perspective, category engagement not surprisingly skews younger, with use among 18-24 and 25-34 year olds at over 9%, while it is below 4% for consumers 55+.

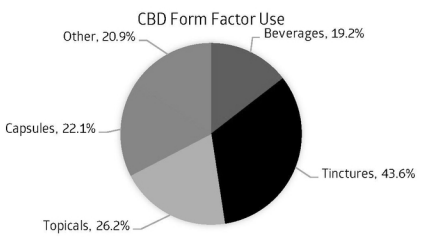
Figure 1 CBD Use Over-Indexes to Consumers Aged 18-34



Source: Cowen Survey, n=~2500, January 2019

While the category remains nascent (with revenue estimates ranging from $600 mm to $2 bn in 2018) it seems clear that the abundance of choice, which we discuss in more detail herein, has been a key driver of that consumer engagement. In particular, we were surprised to see that beverages already account for close to 20% of reported form factor use, given that this segment is among the newer offerings in the market place. Meanwhile, tinctures, which were arguably one of the original delivery systems, has a dominant 44% share.

Figure 2 Tinctures Are the Most Popular Delivery Mechanism



Source: Cowen Survey, n=~2500, January 2019
Note: Users had the option to choose multiple form factors

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While we are keen to gain more insights into the evolving use of CBD in the coming months from our survey work, this initial snapshot offers a framework for sizing the ultimate CBD opportunity. With growing consumer awareness, we conservatively believe that CBD use can grow to 10% of adults in the U.S., or ~25 mm consumers (using current population) by 2025. If we assume that the average consumer ultimately spends $640 per year (or less than $2 / day), that would imply a $16 bn market opportunity for CBD. We would note that using the U.S. Census 18+ population projection in 2025, a 10% incidence rate would equate to just over $590 in annual spend to achieve $16 bn. Conversely, holding the $640 in spend constant with the U.S. Census forecasted population would result in over $17 bn in revenues by 2025.

That said, we view this estimate as somewhat conservative, as we can envision a scenario where a consumer that uses a CBD tincture or capsule, may also be inclined to convert his or her beauty regimen to include CBD (e.g., CBD infused beauty products), and or use a topical for targeted relief as well. Our $16 bn estimate assumes the following category contributions:

Figure 3 We Believe CBD Can Be a $16 BN Revenue Opportunity in the U.S. by 2025

Note: $ in mm unless otherwise stated.
Source: Cowen and Company

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The Science Of CBD (Nadeau)

The Endocannabinoid System

Cannabis' therapeutic potential is due to this valuable overlap between phytocannabinoids (i.e. plant-derived cannabinoids) and the endogenous cannabinoid system in humans, termed a "therapeutic handshake." However, though THC's activity in the body has been fairly well elucidated (it acts through G-protein coupled cannabinoid receptor 1 and cannabinoid receptor 2), CBD's pharmacokinetics are less well understood (no specific receptor for CBD has been identified).

The scientific understanding of CBD's clinical effects is based mostly on studies in specific indications, like epilepsy. GW Pharma's Epidiolex (highly potent, pure formulation of CBD) was approved by the FDA in 2018 for the treatment of seizures associated with Lennox-Gastaut syndrome and Dravet syndrome, and other companies (Tilray, MMJ Phytotech, Insys) have clinical trials underway in seizure disorders as well. Additional possible indications for CBD products include autism spectrum disorders, psychiatric conditions, diabetic neuropathy pain, fibromyalgia, chronic pain, and back pain; clinical trials in these indications are underway.

Clinical trial results to date demonstrate few adverse effects from oral CBD doses of up to 1500 mg/day or up to 30mg IV. Specifically, CBD studies have not reported effects on blood pressure, heart rate, or respiratory rate, and no negative changes in mood or psychomotor slowing. Some studies (such as GW's in Epidiolex) have shown side effects resulting from high doses of CBD (~2g/day) inhibiting hepatic drug metabolism, prompting increased blood levels of some background medications. Additionally, *in vitro* studies have shown CBD to be pro-apoptotic in lymphocytes and to inhibit IL8 and IL10 production, suggesting that it may suppress the immune system. However, though unknowns remain, the summation of pre-clinical and clinical data suggest that the compound is safe at typical doses seen in over the counter products (5-10mg).

Additionally, other cannabinoids (found in CBD distillate) have been discovered that may have differentiated pharmacological effects. For example, cannabidivarin (CBDV) may have differentiated anticonvulsant effects, tetrahydrocannabivarin (THCV) may have anti-diabetic and appetite suppressant effects, cannabidiol-acid (CBDA) may have anti-nausea effects, and bannabigerol (CBG) may have anti-cancer effects. Further research is needed to elucidate the clinical effects of these compounds.

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CBD Hemp Cultivation (Neivert)

2018 Farm Bill Legalizes Commercial Cultivation of Hemp: The 2018 Farm Bill legalized industrial hemp at the federal level removing it from schedule I status under The Controlled Substance Act. The bill defines industrial hemp as a variety of cannabis with a THC concentration of </=0.3% and allows farmers to grow and sell hemp under state regulation. According to the National Conference of State Legislatures, 41 states have set up cultivation and production programs to regulate the production of hemp. (CT, ID, SD, IA, OH, TX, LA, MS and GA do not currently allow hemp cultivation.)

Hemp is currently being grown under state Industrial Research Pilot Programs. Once USDA rules are released, pilot programs may end in favor of USDA rules and rules of state programs approved by the USDA.

Prior to the 2018 Farm Bill, the 2014 Farm Bill allowed universities and state departments of agriculture to conduct hemp research under Agricultural Pilot Programs in an effort to evaluate industrial hemp as a commercial crop. The bill allowed states to begin research on best methods for hemp cultivation.

Cultivation Practices Of Hemp Dependent On Intended Harvestable Component

Hemp is grown for fiber, grain/seed and floral materials with different varieties of hemp planted for each component. Fibers are used in rope and textiles, grain is used in human food (not legal for animal feed), pressed seed oil from grain is used like sunflower seed oil, and oils, including CBD, are removed from floral materials for health supplements.

Cultivation practices differ for fiber, grain/seed and CBD in an effort to maximize the yield of the desired harvestable component. U.S. states have conducted pilot programs in recent years to help gain a better understanding of best practices.

Limited Research Available On CBD Hemp Cultivation

There is little research on CBD hemp cultivation methods as hemp cultivation research historically has focused on fiber and grain/seed. This lack of research, combined with a number of variables that impact hemp for CBD yield, makes hemp for CBD cultivation much more art than science at this point. Cultivation methods have been described as all over the map. That being said, we detail methods from recent academic research studies and conversations with industry participants below. (The University of Kentucky and University of Vermont have both conducted research in CBD hemp cultivation in recent years but further research is needed for conclusions regarding proper production techniques.)

Hemp CBD Cultivation Steps:

- **Obtain a license.** Growers must obtain a grower license from their state department of agriculture for the specific type of hemp they want to grow.
- **Find a buyer/processor.** Growers then need to find a buyer/processor for their harvest as crops can only be sold to licensed processors.
- **Source seeds or clones.** The grower must acquire seeds or transplants. Clones (rooted cutting of a plant) can be used instead of seeds. The key factor in selecting seeds or clones is understanding which strains produce flowers with high CBD concentrations while keeping THC at </=0.3% since CBD and THC are positively correlated which caps the CBD level. (A crop that exceeds 0.3% THC

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will be destroyed.) Seeds that are certified (sold by domestic and international hemp seed distributors) contain </=0.3% THC or produce hemp with </= 0.3% THC.

CBD is more concentrated in female flowers (3%-6%) compared to male flowers making male seeds unwanted. Unfertilized female flowers have been found to produce higher CBD levels than female flowers fertilized by male plants making male seeds unwanted in a production field. We note that seed mix (male and female) costs are significantly lower than feminized seed costs (incremental work is needed to increase the supply of feminized seeds).

Conversations with industry participants indicate that clones (first grown in a greenhouse and then transplanted to the field) are becoming more common as they provide a cheaper path to all female flowers in the field. Retail clones can cost $4-$7 each and can be produced for $3 each with access to a greenhouse.

- **Test soil for contaminants.** We note soil that has been used for corn production has been cited as supportive for maximizing hemp yields.

- **Water System Installation.** A drip irrigation is most effective way to water hemp as it allows roots to breathe and conserves the most water.

- **Pesticides:** Currently, pesticides are illegal for industrial hemp cultivation which makes plastic mulch an important step. So far, disease pests and insects have not been found to significantly impact yields.

- **Fertilizer.** Fertilizer requirements similar to wheat are considered adequate with nitrogen the most critical.

- **Planting.** Adequate soil moisture and temperature (>/=50°F), which influences timing for planting, is recommended for successful germination. Industrial hemp can be planted in late April in Kentucky and late June in Vermont. Planting depth for seeds should be ~0.50 inches.

  Female seedlings, started in a greenhouse approximately 6 weeks prior to planting, or transplanted female clones (planted with root structure), can be planted into black plastic outdoors to control weeds. 5 ft x 5 ft plant spacing has been found to be ideal and results in a population of 1,742 plants per acre.

- **Harvest.** Average time to harvest a 6 inch clone is 90-120 days, Flower buds from outdoor plants are removed by hand or using a debudder machine after using a chainsaw or lopper to cut the plant down. Flower bud harvest is labor intensive and can take ~30 hours per acre. Flower buds in a UVM study were dried at 80°F for 18-36 hours until dry enough for storage without molding. Indoor storage requirements creates a production challenge. As with most crops, variations in yield can result from variations in genetics (variety), soil, weather, and other growing conditions.

- **Testing.** State Departments of Agriculture conduct field and greenhouse inspections for THC levels, which is the only way to separate hemp from illegal cannabis. Crops that test >0.3% THC will be destroyed.

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Wide Range Of Returns On CBD

There is little data on economics for hemp CBD cultivation given wide range of outcomes that can result on the seed vs clone decision (CBD levels vary for each and will impact cost), as well as the type of production model used. The University of Kentucky (College of Agriculture) recently published six budget models for industrial hemp producers. Four of the six budgets address CBD hemp, with a separate budget for grain and another for fiber. We highlight the University of Kentucky's CBD Plasticulture budget model below since it is the most profitable and will likely be the most commonly implemented. We note all four of the CBD hemp models indicate a positive return above variable costs per acre while hemp grain and hemp fiber do not reach breakeven due to low pricing for both harvestable components..

University Of Kentucky's Budget Assumptions For CBD Plasticulture:

- **Dry matter yield per acre:** UK estimates 1,200 lbs of dry matter yield produced per acre based on 1,500 plants per acre (recall 5 ft. 5ft. allows for up to 1,742 plant per acre) and 0.8 lb of dry matter yield per plant (yield per plant can range from 0.5 lb-1.5 lbs).

- **Gross return per acre:** CBD concentration and price per % are the factors that determine the price of dry matter yield/lb. In the below example, 6% CBD% * $5.00 per % = $30/lb. Gross return per acre is then calculated by multiplying dry matter yield/lb by dry matter yield/acre (1,200).

- **Variable cost per acre:** 72% of variable cost per acre is for clone transplants for 1,500 plants at $5.00 each. Other notable costs include planting, plastic to protect against weeds, drip line for water, harvesting costs, cash rent and application/test fees. We note clones currently can range from $3.50-$5.50 per plant. Clones have become more common than seeds in Kentucky as they offer an easy way to produce female plants. A seed mix may be cheaper but would include male seeds than can potentially pollinate female seeds and negatively impact CBD concentration which influences pricing for dry matter yield. Feminized seeds are an option but will likely be the most expensive option. We note that the model assumes outdoor production rather than greenhouse production since a greenhouse is efficient for clone production (then transplanted to the field) but prohibitive for plant production.

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Figure 4 – CBD Plasticulture Model – University of Kentucky

	Quantity	Unit	Price	Total
CBD%	6%	-	-	-
Price per %	$5.00	-	-	-
Dry Matter Yield	1,200	lb	$30	$36,000
Gross Returns Per Acre	**-**	**-**	**-**	**$36,000**
Transplants (clone)	1,500	plants	$5.00	$7,500
Fertilizer				
-Nitrogen (urea)	100	unit	$0.47	$47
-Phosphorus (P2O5)	30	unit	$0.60	$18
-Potassium (P2O)	45	unit	$0.38	$17
Planting/Setting	1,500	plants	$0.20	$300
Black Plastic/Drip Line	1	acre	$515	$515
Harvest Cost	32.4	hrs	$12.50	$405
Cash rent	1	acre	$300	$300
Application & License Fee	1	per year	$400	$400
Lab Test	1	-	$300	$300
Other	-	-	-	$669
Total Variable Cost Per Acre	**-**	**-**	**-**	**$10,471**
Margin Over Variable Cost Per Acre	-	-	-	**$25,529**

Source: hemp.ca.uky.edu, Cowen and Company

Sensitivity Analysis For CBD Plasticulture Model. As shown below, there is a significant change in return for every $1 change in price per CBD%. A deterioration of this pricing with no corresponding change in cost would impact CBD production. Breakeven for the model above is ~$9/lb for dry matter yield compared to the $30/lb used to calculate the margin over variable cost per acre used. While price % CBD can fluctuate, the second factor determining the dry matter yield/lb price is CBD%.

Figure 5 – Sensitivity Analysis

Price per % CBD	Total Revenue	Returns Above Variable Costs
$6	$43,200	17,671
$5	$36,000	10,471
$4	$28,800	3,271
$3	$21,600	-3,929
$2	$14,400	-11,129
$1	$7,200	-18,329

Source: hemp.ca.uky.edu, Cowen and Company

CBD Hemp Clearly An Attractive Option For Growers. No other crop in the U.S. offers the type of return of the CBD Plasticulture Model. We would expect the two largest crops in the U.S.: corn and soybeans to lose some acreage to CBD hemp, though given corn and soybean area planted was 89.1M and 89.2M acres respectively in 2018. (Total planted acres in the U.S. is ~320M acres.)

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Figure 6 – 2017 Production Less Operating Costs Per Acre (Cash Grower Margin/Acre)

per acre	Corn	Soybeans
Gross Value of Production	$620	$455
Operating Costs		
Seed	$99	$58
Fertilizer	$116	$25
Chemicals	$35	$27
Other Operating Costs	$85	$48
Total Operating Costs	$335	$158
Cash Grower Margin	**$285**	**$297**

Source: USDA, Cowen and Company

Kentucky Hemp Growth Provides An Indication For Near-Term Acceleration

Figure 7 shows hemp production in Kentucky under Kentucky Department of Agriculture (KDA) Industrial Hemp Research Pilot Program. The figure shows the increase in planted acres in 2018 (Sept) as well as the shift toward CBD as a percentage of total hemp (planted acres for CBD rising to 4,121 acres in 2018 from 864 in 2017). In 2018, there were 158 greenhouses in Kentucky representing 764,000 sq. ft., which is included in the 2018 acreage below. (Note 1 acre = 43,560 sq. ft.)

On January 22, 2019, the Kentucky Department of Agriculture approved 1,035 applications to cultivate up to 42,086 acres of industrial hemp in 2019, up from 16,100 acres in 2018 and 33 acres in 2014, which was the first growing year. (67 acres of greenhouse space was also approved for hemp cultivation.) We note that of the 16,100 acres approved in 2018, less than half (6,700) was planted.

Figure 7 – Kentucky Department of Agriculture Industrial Hemp Research Pilot Program

Production Year	Approved Processors	Approved Growers	Approved Acres	Planted Acres	Harvested Acres	% of Grain or Seeds	% Fiber	% CBD	% CBD & Grain	% Grain & Fiber
2014	9	20	-	33	-	47%	32%	21%	0%	0%
2015	29	99	1,742	922	500	47%	6%	47%	0%	0%
2016	45	137	4,600	2,300	2,000	34%	6%	60%	0%	0%
2017	49	204	12,800	3,200	2,300	36%	5%	27%	32%	0%
2018 (Sept)	72	210	16,100	6,700	TBD	18%	4%	62%	14%	2%
2019	N/A	N/A	42,086	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Source: kyagr.com/hemp, Cowen and Company

Outlook For Growth

The expected growth for hemp is supported by the economics offered. However, there are limitations related to required cultivation methods.

Conversations with industry experts estimate planted hemp acres in 2019 could reach 200,000, up from 78,176 in 2018. The growth is supported by expansion like Kentucky's and new states entering the market (only 23 states participated in 2018).

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Figure 8 – U.S. Planted Hemp Acres – 2017 and 2018

State	2017	2018
Montana	542	22,000
Colorado	9,700	21,578
Oregon	3,469	7,808
Kentucky	3,271	6,700
Tennessee	200	3,335
North Carolina	965	3,184
North Dakota	3,020	2,778
New York	2,000	2,240
Nevada	417	1,881
Wisconsin	0	1,850
Vermont	575	1,820
Minnesota	1,205	710
Pennsylvania	36	580
Maine	30	550
Oklahoma	0	445
South Carolina	0	256
West Virginia	14	155
Washington	175	142
Virginia	87	135
Massachusetts	0	21
Indiana	5	5
Hawaii	1	2
Nebraska	1	1
Total	**25,713**	**78,176***

* Includes 232 acres of greenhouse or indoor cultivation

Source: votehemp.com, State Departments of Agriculture, Cowen and Company

Challenges For Growth

We see several issues that we expect will moderate growth of hemp CBD in years to come. As a commodity, we see economics diminishing as CBD supply rises with increased acres along with higher costs for seed from increased seed demand. We also see a lack of best practices for cultivation, storage restrictions and uncertainty about the consistency of seeds/clones available increasing the probability that yields are compromised.

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Synthetic Cannabis (Schenkel)

The Broad Spectrum Of Cannabinoids

Cannabinoids fall into three main types: (1) endogenous cannabinoids, which are produced naturally in the bodies of humans and animals; (2) phytocannabinoids, which are isolated from plants; and (3) synthetic cannabinoids, which are produced in the laboratory and may have some structural deviations from the naturally occurring molecules.

Of the three types, phytocannabinoids have garnered a lot of interest because of their therapeutic and recreational potential. For example, Marinol and Syndros, which the FDA cleared for the treatment of anorexia associated with weight loss in AIDS patients, include the active ingredient dronabinol, a synthetic delta-9- tetrahydrocannabinol (THC) which is considered the psychoactive component of marijuana. In June 2018, the FDA approved an oral formulation of cannabidiol (CBD), Epidiolex, which GW Pharmaceuticals PLC developed for the treatment of seizures associated with two rare and severe forms of epilepsy in children.

In addition to THC and CBD, more than 100 other phytocannabinoids have been identified from the cannabis plant. This includes lesser-known compounds such as tetrahydrocannabivarin (THCV), cannabigerol (CBG), and cannabichromene (CBC).

The broad spectrum of phytocannabinoids can bind to a range of different receptors in the human body and induce a wide variety of pharmacological responses. However, due to the limited research into these varying effects, a full understanding of the role of each cannabinoid compound is still poorly understood. With that said, some of the most studied roles are listed in the table below.

Figure 9 Approved & Potential Medicinal Roles Of Selected Phytocannabinoids

Cannabinoid	Percent Of Total Cannabinoid Content	Role
Tetrahydrocannabinol (THC)	15-35%	• Psychotropic • FDA-approved as appetite stimulant for people with AIDS and antiemetic for people receiving chemotherapy • Alleviates neuropathic pain, spasticity, overactive bladder, and other symptoms
Cannabidiol (CBD)	1-12%	• FDA-approved for treating rare seizure disorders • Chronic pain treatment • Being studied for treatment of anxiety, post-traumatic stress disorder, pain, schizophrenia, Parkinson's disorder and Huntington's disorder
Tetrahydrocannabivarin (THCV)	<1%	• Potential anxiety relief • Potential appetite suppressant
Cannabigerol (CBG)	<1%	• Potential anti-inflammatory • Potential anti-cancer
Cannabichromene (CBC)	<1%	• Potential anti-inflammatory • Potential anti-cancer • Potential GI motility modulator

Source: Cowen and Company

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Need For Alternative Methods To Produce Cannabinoids

Cannabis plants can exhibit wide variation in the quantity and type of cannabinoids they produce. However, cannabinoids are only produced in limited quantities regardless of the strain; in total, cannabinoids account for <1% of the dry weight of the cannabis plant.

Selective breeding has led to strains of the cannabis plant that produce relatively large amounts of the intermediary forms of THC and CBD. While THC content varies substantially among cannabis strains, it generally represents 15-35% of the cannabinoid content of the plant, and CBD is typically 1-12%. The relative abundance of these compounds have allowed them to be well studied and their diversity of applications have created a large commercial market.

After THC and CBD, the remaining cannabinoids are found only in trace amounts in the plant. Compounds such as THCV, CBG, and CBC have elicited therapeutic interest, but because they are only present in minute amounts they have been difficult to extract and purify and impossible to produce at commercial scale. This has limited their study up to this point.

Alternative Methods For Producing Cannabinoids

To combat the limited availability of cannabinoids using cultivation-based methods, alternative approaches have been developed that use chemical and biotechnological synthesis to produce cannabinoids.

Chemical Synthesis

Chemical synthesis methods use organic chemistry to produce cannabinoids; however, the process has several drawbacks. Chemical methods have largely failed to be cost effective for commercial scale cannabinoid production because of the complexity required to produce the cannabinoid molecules, and extensive purification is needed to obtain a high quality product. Commercial chemical synthesis also generates large amounts of organic waste, takes several weeks to produce kilogram quantities, and is expensive. As such, practical methods for the chemical synthesis of many cannabinoid molecules has not been developed.

Biotechnological Synthesis (Synthetic Biology)

An emerging alternative to traditional cultivation and chemical synthesis is the use of biotechnology-based approaches to produce cannabinoids. These synthetic biology approaches produce cannabinoids through modifying the metabolism of genetically engineered organisms. This converts the organism into a biological factory, producing the desired cannabinoid in large quantities.

Compared to chemical methods, biosynthesis methods are more cost effective, scalable, and environmentally friendly.

Compared to traditional methods, biosynthesis of cannabinoids is potentially more sustainable, more reliable, faster, and less expensive. Biosynthesis does not require as much water or energy input, is not subject to weather or other exogenous factors, takes ~3-5 days to yield an end product vs. traditional methods taking up to 4 months, and is theoretically less expensive. Additionally, growing cannabis often involves using several hard-to-remove impurities (e.g., pesticides), that could potentially create significant safety issues and other undesirable dynamics. Furthermore, purity and regulatory

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controls can be implemented when producing compounds with a biosynthesis method similar to the processes in place for pharmaceutical regulation.

The many perceived advantages of synthetic cannabinoid creation have led to a series of companies entering the market, as described below.

Figure 10 Selected Synthetic Biology Cannabinoid Companies

Company	Notes
Cellibre	Cellibre is a next-generation cellular agriculture company. Employing an organism-agnostic approach, Cellibre turns cells into specialized, sustainable factories for the manufacture of globally significant products at scale.
Ginkgo Bioworks	Ginkgo is a Boston-based company that designs custom microbes for customers across multiple markets, developing new organisms that replace technology with biology.
Hyasynth Biologicals	Located in Montreal, Hyasynth Biologicals uses the technologies from traditional and modern biology combined with computational analysis to develop organisms at the fastest possible speed.
InMed Pharmaceuticals	InMed Pharmaceuticals is a biopharmaceutical company that specializes in the discovery and development of novel, cannabinoid-based therapeutics for the treatment of diseases with high unmet medical need.
Librede	Librede has developed a yeast-based cannabinoid production and drug discovery platform to create chemical compounds that target the endocannabinoid system. Librede's modular technology enables large scale production of natural cannabinoids in a more economic and environmentally sustainable way
Renew Biopharma	Renew Biopharma harnesses the biological pathway to produce natural and novel cannabinoids that cross the blood brain barrier and target specific receptors associated with neuroinflammation and chronic pain.
Teewinot Life Sciences	Tampa-based Teewinot combines its biosynthetic processes with sophisticated chemical synthesis to produce proprietary cannabinoid analogs and prodrugs at commercial scale.
Amyris	Amyris is an industrial biotechnology company that has used sugarcane fermentation to create hydrocarbon molecules and produces an array of specialty ingredients and consumer products.

Source: Cowen and Company

Producing Cannabinoids Using Synthetic Biology

Synthetic biology methods use fermentation to produce cannabinoids with identical chemical structures to those found in plants.

Biocatalytic Cannabinoid Pathways

The first step of the synthetic cannabinoid production requires identification and extraction of the desired cannabinoid biosynthetic pathways from a cannabis varietal. The biosynthesis of cannabinoid molecules in a microbe could require four or more cannabinoid metabolic pathways. When the pathways are selected, their corresponding DNA sequences need to be cloned from the cannabis varietal and spliced into the microbial DNA.

Cannabinoids could be produced biocatalytically using the following mechanism:

i. In the first pathway, glucose is converted into G3P and pyruvate via glycolysis. These two compounds are then utilized to produce the precursors geranyl pyrophosphate (GPP), and/or neryl pyrophosphate (NPP).

ii. Glycolysis of glucose also produces Acetyl CoA, which can catalyze biosynthesis of the second group of precursors: olivetolic acid (OA) and divarinic acid (DVA).

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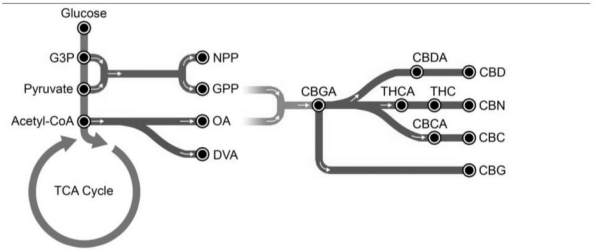
iii. Various combinations of the aforementioned precursors then combine in the third pathway to yield parent cannabinoid molecules (e.g., cannabigerolic acid or CBGA).

iv. These parent cannabinoids are then modified in the fourth pathway to produce cannabinoids such as tetrahydrocannabinolic acid (THCA) and cannabidiolic acid (CBDA). These acids can be transformed into a non-acid form using synthases, producing the terminal cannabinoid form.

Figure 11 Biosynthetic Cannabinoid Production Pathways



Source: Cowen and Company

Cannabinoid Production Using Fermentation

To power the aforementioned pathways, water and glucose (or a cannabinoid substrate) are added to the microbe (e.g., yeast) in a bioreactor. Under fermentation, the yeast will consume the glucose and produce the desired cannabinoid.

This culture is incubated for ~3-5 days to produce sufficient cannabinoid intermediaries. Afterwards, the fermentation mixture is separated and combined with a non-toxic solvent to extract and purify the cannabinoids.

Recent Cannabinoid Partnerships In Synthetic Biology

With the recent legalization of cannabis in several countries and U.S. states and growing acceptance of its utility, many recent notable partnerships have been created on the potential of synthetic cannabinoid production. We highlight two such agreements from the past few months below.

Amyris / Undisclosed Partner (February 2019; Valued Up to $255MM)

In February 2019, Amyris announced that it has signed an agreement for cannabinoid development, licensing, and commercialization in a partnership valued at up to $255MM (not including royalties for commercial products) with an undisclosed partner. The $255MM in payments include an upfront payment and the remainder is linked to milestones that are expected over the next 12-36 months. The partner is expected to provide initial, lab-based and later commercial-scale milestone cash payments in tranches for the development and scaling of technology to produce CBD.

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Cronos Group / Ginkgo Bioworks (September 2018; Valued Up to $122MM)

Cronos Group is a vertically integrated Canadian cannabis company that operates two licensed producers. In addition, the company has developed an assortment of cannabis varietals and has amassed an extensive database on various cannabinoids and their properties. Boston-based Ginkgo Bioworks is a synthetic biology company that has developed a cutting edge, automated platform for biological engineering and fermentation. Using synthetic DNA to modify yeast and other organisms, the company endeavors to produce large amounts of various rare strains through this more efficient, lower-cost, novel process. Indeed, as we asserted in the MO/CRON note (link), we believe that this strategic partnership was integral in informing the entry of the largest tobacco player in the U.S., into the legal global cannabis market.

By way of background, in September 2018, Cronos and Ginkgo announced an agreement to produce cultured cannabinoids. Ginkgo is tasked with developing strains of yeast that can produce eight target cannabinoids. Cronos would then handle large scale production and distribution of those cultured cannabinoids. The total agreement is valued at $122MM; this includes $22MM to fund R&D, and up to $100MM of CRON common shares in tranches in accordance with production milestones. More specifically, the tranches will be issued once each of the target cannabinoids can be produced for less than $1,000/kg of pure cannabinoids at a scale of >200 liters as follows: THC (20%), CBD (15%), THCV (15%), CBC (10%), CBG (10%), CBGV (10%), CBDV (10%), and CBCV (10%). Cronos and Ginkgo expect to reach the milestone for these eight strains within three years.

Figure 12 Cronos and Ginkgo Partnership to Produce Eight Targeted Cannabinoids at Scale

	Milestone Shares Issued	
Target Cannabinoid	Shares	%
THC(A)	2,934,981	20%
CBD(A)	2,201,235	15%
CBC(A)	1,467,490	10%
CBG(A)	1,467,490	10%
THCV(A)	2,201,235	15%
CBGV(A)	1,467,490	10%
CBDV(A)	1,467,490	10%
CBCV(A)	1,467,490	10%
Total	**14,674,903**	100%

Source: Cowen and Company

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Life Science Tools Participation In The Legal Cannabis Market (Schenkel)

Life science tools companies currently participate in the cannabis market primarily through providing instruments and equipment that: (1) extract active cannabis ingredients from leaves and seeds and (2) analyze cannabis products for potency and contaminants. According to one of our consultants who runs a cannabis testing laboratory, separations instrumentation including liquid chromatography (LC) and gas chromatography (GC), and mass spectrometry (primarily single quadrupoles, triple quadrupoles, and inductively coupled plasma mass spectrometers) are the primary technologies used in cannabis testing. We note that the cannabis testing opportunity is not limited to LC, GC, and mass spec technologies – other technologies including genetic analysis tools (DNA sequencers, microarrays, and PCR) could have a greater role in the cannabis industry in the future.

Cannabis Testing Details

There are three major categories of tests used to measure and monitor the quality of recreational and medicinal cannabis products: potency testing, terpene profiling, and contaminant testing. Contaminant testing typically includes testing for the following: (1) pesticides; (2) residual solvents; (3) heavy metals; (4) moisture content; (5) mycotoxins; and (6) microorganisms.

For the most part, standards and regulations for cannabis potency and contaminants testing are still in the infancy stage and vary widely by state – accordingly, testing of cannabis products vary greatly by locality. The aforementioned tests (also in Figure 13) are the most commonly performed tests. These tests are primarily performed using separations instruments and mass spectrometry (see pages 22-23 for details on these instruments and a list of vendors). Figure 13 lists commonly used instruments associated with a specific cannabis test.

Figure 13 Overview Of Cannabis Testing Technologies

Test	Common Analytical Instrument(s) Used
Potency	LC (HPLC or UHPLC), GC
Terpene Profile	GC-MS, LC-UV detector
Pesticides	LC-MS (triple quad), GC-MS (single or triple quad)
Residual Solvents	GC-MS
Heavy Metals	ICP-MS
Moisture Content	Moisture balances, weight loss methods
Mycotoxins	LC-MS (triple quad) or immunoassays
Microorganisms	Mostly culturing, some PCR, few MALDI-TOF
Actives Extraction	Supercritical Fluid Extraction (SFE)

Source: The Analytical Scientist and Cowen and Company

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Background On Separations Technology And Market

Liquid Chromatography And Gas Chromatography – How Does It Work?

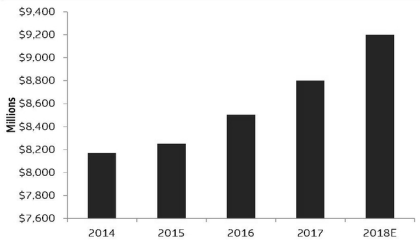
LC instrumentation is generally composed of: (1) solvent delivery system, (2) sample injector, (3) separation column, (4) detector, and (5) data acquisition unit. The solvent delivery unit pumps the solvent through the LC system while the sample injector introduces the sample into the solvent flow (known as the mobile phase). The chromatography column then separates the sample into its components for analysis by the detector, which measures the presence and amount of constituents. The data acquisition unit then records and stores the information from the detector. The underlying principles of GC are similar to those of LC, with the key difference being that the mobile phase is a gas instead of a liquid.

LC Is Often Combined With Mass Spec

To obtain the mass spectrum of a single compound in a mixture, the individual components must be separated prior to MS analysis. Separation is necessary for unambiguous identification because multiple compounds present simultaneously create an overlapping or mixed spectrum. The most common separation techniques used in combination with MS are gas chromatography (GC) and liquid chromatography (LC). LC and MS from different vendors can be combined. LC is more commonly used as high temperatures required for GC make it incompatible with the compounds under analysis - this is a key reason why some cannabis testing labs prefer testing THC using liquid chromatography (to be clear, analysis using gas chromatography requires heating THC which changes its properties).

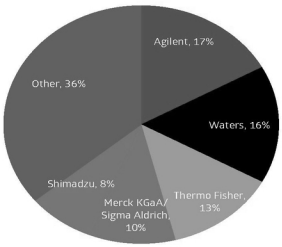
Chromatography Market Estimates

Figure 14 Overall Chromatography Market ($MM)



Source: Company reports and Cowen and Company

Figure 15 Chromatography Market Shares



Source: Company reports and Cowen and Company

Figure 16 Chromatography Market by Configuration

	Market	H/UPLC	GC	IC	LPLC	Flash	Other
Market Share	100%	60-65%	22%	6%	6%	1%	4%
Growth Rate	3-4%	4%	3%	4%	5%	3%	3%
Market Leaders		WAT	A	TMO	GE	Teledyne	
		A	Shimadzu	Metrohm	BIO	Biotage	

Source: Company reports and Cowen and Company

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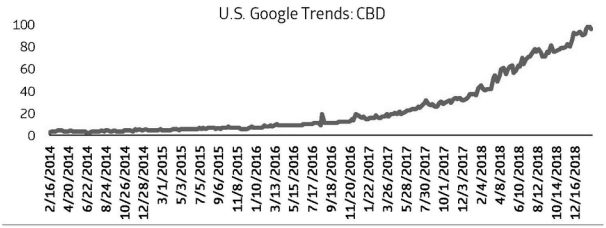
Consumer Products Opportunities (Azer)

In 2018, the CBD market in the U.S. has been estimated to have generated revenues ranging from ~$600 mm to as much as $2 bn. In our 2019 global cannabis outlook report (here), we had believed the CBD purchases in the U.S. likely skewed to the lower-end of that range. However, with new survey data from Cowen's proprietary consumer survey, we can see that among our ~2,500 respondents (18+) in January 2019 nearly 7% reported using CBD as a supplement. Coupled with the diverse form factors reportedly being used (including close to 20% for beverages, which was surprising to us), we are now inclined to size the current market at closer to $2 bn.

Indeed, looking at Google search trends, we can see that interest looks to have climbed steadily in 2016 and 2017, and accelerated meaningfully in 2018, which has continued into 2019.

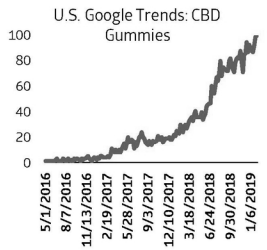
Figure 17 CBD Interest Has Been Increasing



Source: Google Trends and Cowen and Company

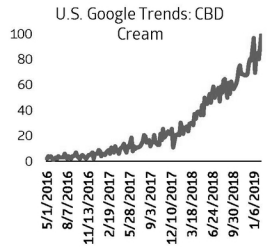
Encouragingly, interest has been rising consistently among different form factors, ranging from supplements like CBD gummies, to topicals and oils. The rising interest and popularity in this broad range of CBD offerings should support a diverse category and multiple competitors that cater to a large base of consumers with different needs, requiring various applications.

Figure 18 Interest Broad Based from Edibles...



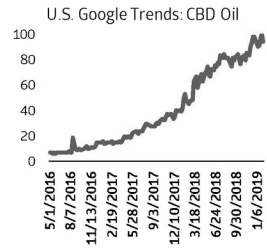
Source: Google Trends and Cowen and Company

Figure 19 ...to Topicals...



Source: Google Trends and Cowen and Company

Figure 20 ...To Oil



Source: Google Trends and Cowen and Company

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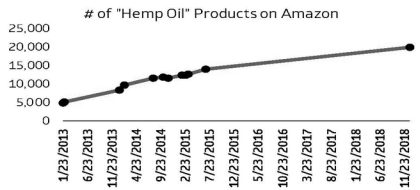
To further reinforce how CBD has been gaining interest over time, we analyzed the historical number of hemp oil products offered by Amazon (AMZN, John Blackledge), where we can see a continued increase in the number of products sold. Indeed, six years ago, Amazon had been offering roughly 5,000 products, which has quadrupled to over 20,000 products today.

Figure 21 Over 20K Hemp Oil SKUs Offered by Amazon Today...

# of Hemp Oil Products on Amazon			
Date	**# of Products**	**Date**	**# of Products**
1/23/2013	4,975	**11/8/2014**	11,587
2/1/2013	5,039	**2/7/2015**	12,370
1/10/2014	8,507	**3/2/2015**	12,430
2/10/2014	9,642	**3/20/2015**	12,741
8/10/2014	11,694	**7/7/2015**	13,963
10/12/2014	11,904	**1/2/2019**	> 20,000

Source: Amazon and Cowen and Company

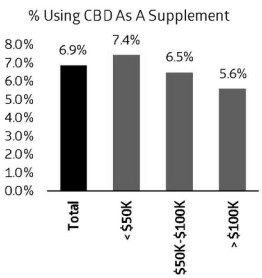
Figure 22 ...Which Has Increased 4-Fold Over the Past 6 Years



Source: Amazon and Cowen and Company

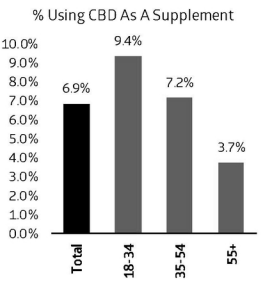
With reported CBD use skewing toward younger consumers, it is perhaps not surprising to see that CBD also over-indexes to lower-income consumers (where younger consumers generally have lower household incomes). What is more, CBD seems to be the most popular among Caucasians, following by Hispanic / Latino consumers. Meanwhile, CBD use is slightly more popular among women (7.0% incidence), vs. men (6.7% incidence).

Figure 23 CBD Over-Indexes with Low-Income...



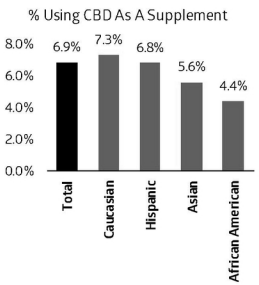
Source: Cowen Survey, N=~2500, January 2019

Figure 24 ...Young Consumers (Ages 18-34)...



Source: Cowen Survey, N=~2500, January 2019

Figure 25 ...And Caucasians



Source: Cowen Survey, N=~2500, January 2019

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Given increasing interest, younger consumer demographic trends, and a lack of paid advertising within the space, below we offer a snapshot of the Instagram landscape as a proxy for current company social media activity. We would caveat that this is not an exhaustive list, nor does the below chart factor in the impact of influencer marketing, which is a popular trend in order for these companies to drive brand momentum. That said, we believe the below chart reflects the competitive nature of the category as we are already starting to see momentum from less known, emerging brands.

Of the companies analyzed, the below chart reflects the top 17 brands by absolute Instagram followers, while also providing data on the absolute number of posts over the month of January, as well as the average number of likes per post.

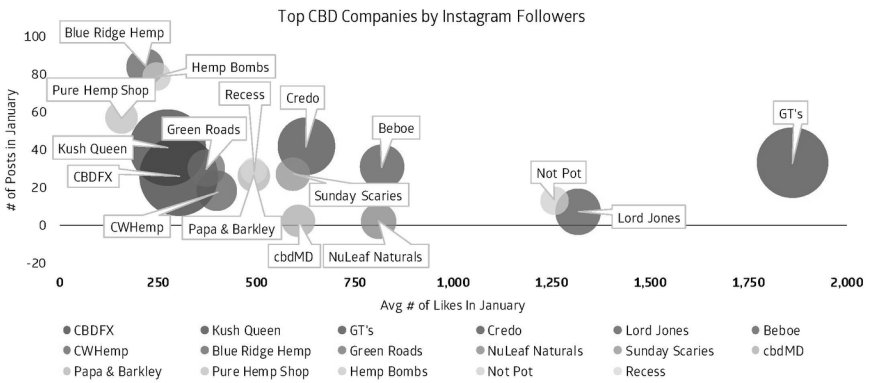
Absolute Followers. As it currently stands, three companies have an Instagram following of over 100K people, with CBDFX leading the pack at 181K. Kush Queen and GT's Kombucha also look to be well positioned with 168K and 145K followers, respectively.

# of Posts. Blue Ridge Hemp was the most active over the month of January with 84 posts, followed closely by Hemp Bombs (79 posts) and Pure Hemp Shop (57 posts). Across the competitive set, the average number of posts for the month of January was 32.

Avg Likes Per Post. In addition to having one of the largest number of absolute followers, GT's Kombucha also led the way in average likes per post (1,863). This was followed by super premium CBD company, Lord Jones, with 1,318 average likes per post. Not Pot rounded out the top three with 1,257 average likes per post.

We would note that while we consider the below analysis useful in terms of analyzing social media activity, it should not be used as a proxy for market leadership. Publicly traded companies such as Charlotte's Web, CV Sciences and Elixinol have established themselves as market leaders within CBD, based on distribution / market penetration, consumer awareness, and brand equity.

Figure 26 Instagram Analysis Reflects Competition From Emerging Brands



Source: Instagram and Cowen and Company
Note: Bubble size reflects relative number of Instagram followers

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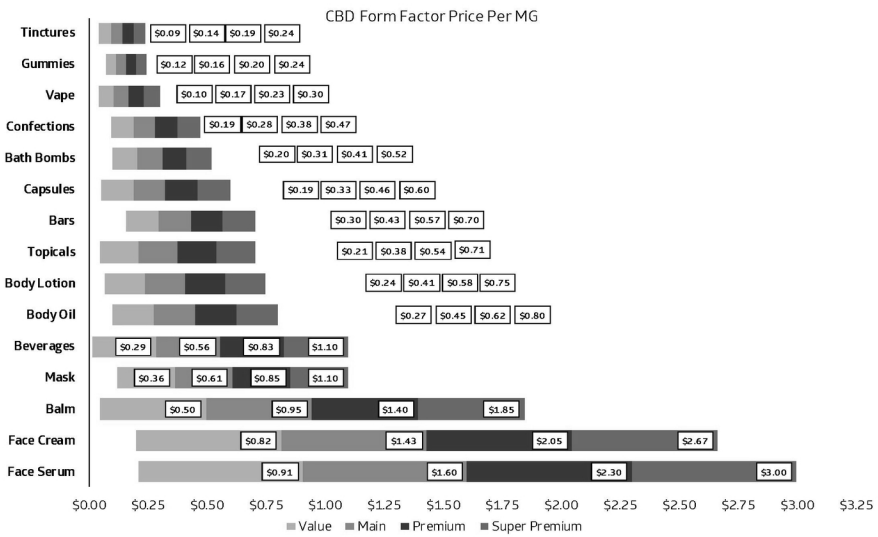
From a consumer staples perspective, we see innovation across a host of form factors. To analyze the category's potential, we focused on six specific consumer product categories, including:

i. Nutraceuticals (tinctures, capsules, sprays, and gummy vitamins)
ii. Topicals (for targeted pain relief, like Tiger Balm)
iii. Beverages (water, energy drinks and beer)
iv. Food (including confections and bars)
v. Vapor
vi. Beauty (including skin care, serums, lotions, and bath products)

While our analysis was far from exhaustive, below we:

i. Break down the above product categories by sub-segment to benchmark pricing, which we define as value, main, premium and super-premium,
ii. Forecast run rate revenues by vertical over the next two years,
iii. Offer company-specific detail on numerous private and public companies as part of our research on the CBD opportunity (primarily in the U.S.).

Figure 27 Beauty Products Carry the Most Premium Pricing, While Tinctures and Gummies Offer the Best Value Proposition in Terms of Price / MG of CBD



Note: Price boxes represent the high-end of the form factor's respective price segment.
Source: Company Websites and Cowen and Company

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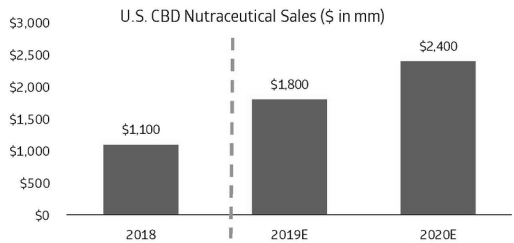
Nutraceuticals

Given robust consumer interest in CBD products, we estimate that over the next two years, the nutraceuticals category (which includes tinctures, capsules, gummy vitamins, etc.) can generate revenues of $2.4 bn. Uncertainty around the timing of this revenue ramp reflects a lack of clarity on how quickly retailers, in particular mass market retailers, will begin to stock the products following the passage of the 2018 Farm Bill.

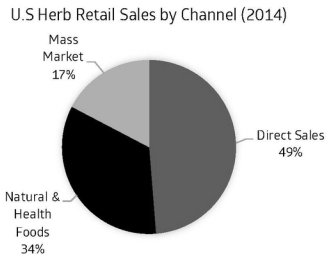
Figure 28 We Estimate CBD Nutraceuticals Can Generate ~$2.4 BN in Sales Going Forward



Source: Cowen and Company

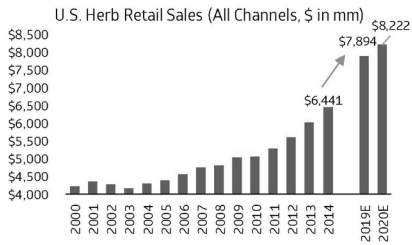
Our $2.4 bn estimate is benchmarked against the herbal supplement market in the U.S. According to the American Botanical Council, herbal supplement retail sales were $6.4 bn in 2014, posting the 11th year of consecutive growth. Between 2004-2014, the herbal supplement category grew its revenues at a ~4.2% CAGR. Extrapolating that growth out to 2019 would imply a total herbal supplement market of ~$8 bn over the next two years. Our $2.4 bn estimate for the CBD market would imply almost a 30% share of this market by 2020. The importance of retail adoption is reflected in the category makeup of the herbal supplement market, where we can see that over 17% of sales come from mass market retailers.

Figure 29 Mass Market Makes Up ~17% of Herb Retail Sales



Source: American Botanical Council and Cowen and Company

Figure 30 Herb Retail Sales To Exceed ~$8 BN Assuming 4.2% CAGR



Source: American Botanical Council and Cowen and Company

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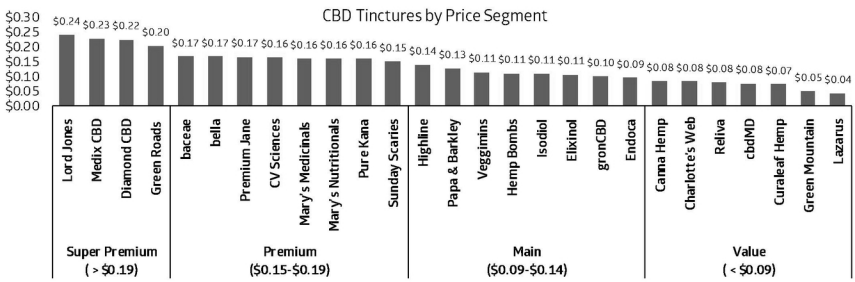
Tinctures are the market leading form factor within CBD, which is reflected in the absolute number of companies that play across different price segments. On a price / mg CBD basis, Lord Jones leads the pack on premium pricing, with its tincture priced at $0.24 per mg of CBD. Lazarus falls at the opposite end of the price spectrum at $0.04 per mg of CBD. The vast number of price points throughout this segment reflects an abundance of choice for the consumer, providing options for all income cohorts.

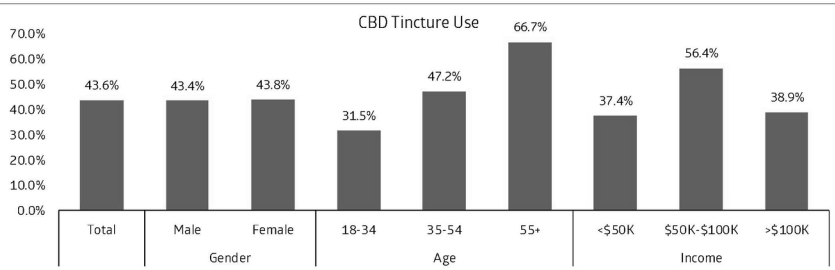
Figure 31 Notable Competition Within Tinctures Segment



Source: Company Websites and Cowen and Company
Note: Reflects price per mg of CBD; For companies with multiple SKUs, we used a straight line average

In our consumer survey, of respondents who use CBD, 44% of people use tinctures as a form factor, which looks to be equally popular among both male and females. Interestingly, tincture use looks to be the most prevalent form factor among older consumers, as two-thirds of respondents within this cohort indicated use of a tincture. Tinctures look to be the most popular form factor across all income demographics, with over 50% of people using within the $50K-$100K segment.

Figure 32 Tinctures Are The Most Popular Form Factor



Source: Cowen Survey, N=~2500, January 2019

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Figure 33 Lord Jones Price Point Reflects Premium Positioning

Source: Company Reports

Figure 34 CV's Plus CBD Oil Competitively Positioned Within Premium

Source: Company Website

Figure 35 Papa & Barkley Currently Offer Tinctures Only

Source: Company Website

Figure 36 Reliva Tinctures Compete On Value

Source: Company Website

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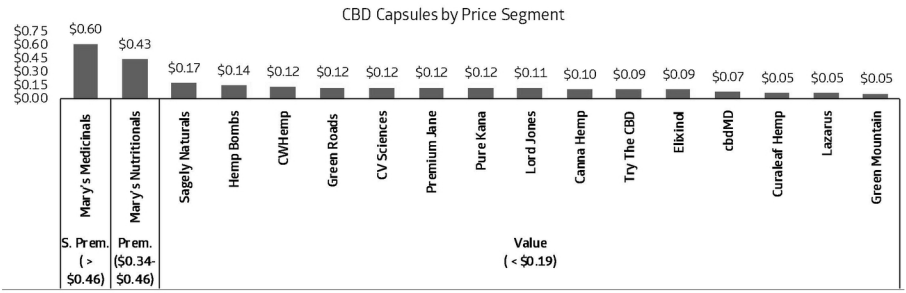
Along with tinctures, capsules represent one of the more mature form factors within CBD. Mary's looks to be squarely positioned as the most premium brand across all companies analyzed, in particular for their Elite capsule line, which offers 150 mgs of CBD and retails for $90. For context, the closest price point to Mary's comes from Sagely Naturals at $0.17 per mg. Brands look to be very competitively priced in terms of value, with seven of the brands coming in at $0.10 or below.

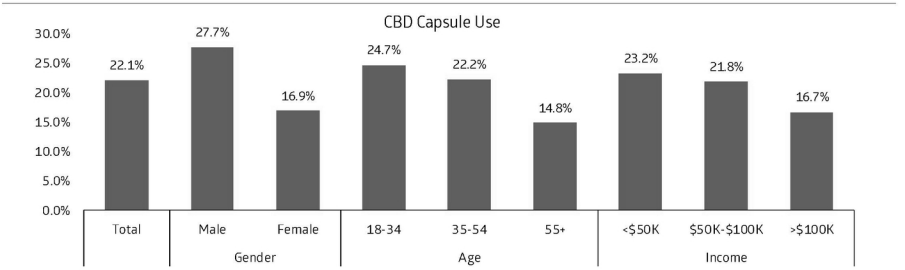
Figure 37 Capsules Competitively Priced On Value



Source: Company Websites and Cowen and Company
Note: Reflects price per mg of CBD; For companies with multiple SKUs, we used a straight line average

Utilizing our proprietary consumer survey, CBD capsule use looks to over-index with males, which shows over a 10 pt delta relative to women. In addition, on a relative basis to other form factors, CBD capsule use is more popular with younger, lower-income consumers, which perhaps explains the notable competition seen within the value segment.

Figure 38 Capsule CBD Use Over-Indexes To Males And Skews Younger And Lower Income



Source: Cowen Survey, N=~2500, January 2019)

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Figure 39 Mary's Capsules Are Priced At A Premium

Source: Company Reports

Figure 40 CWeb is One Of The More Well Known CBD Capsule Providers

Source: Company Website

Figure 41 Elixinol Offers Differentiated Packaging

Source: Company Reports

Figure 42 Lazarus Competes At The Low-End of Value

Source: Company Website

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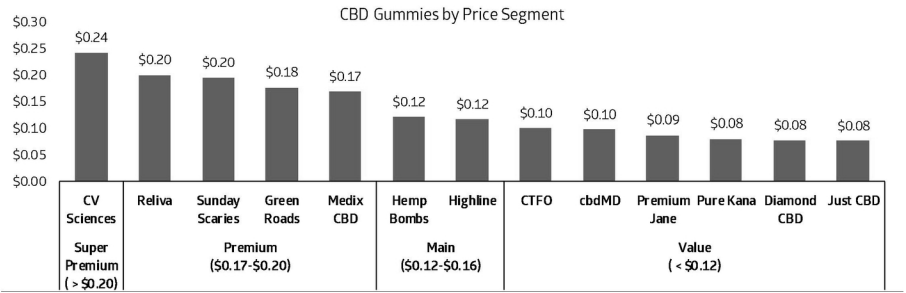
For gummies, we analyzed 30 SKUs across 13 brands. Our analysis shows that CV Sciences' CBD Oil Gummies are the most premium priced at an average $0.24 per mg of CBD. CV Sciences offers two SKUs with their 30 capsule bottle providing 150 mgs of CBD for $39.95, while their second SKU offers a slightly better value proposition, with a 60 count bottle providing 300 mgs of CBD for $64.95 ($0.22 per mg).

Hemp Bombs had the largest number of SKU's relative to the other brands analyzed (7), while also having the highest absolute price point ($139.99 for a 60 gummy bottle with 1,500 mgs of CBD), though the average price per mg of CBD positioned the brand within the main segment.

Similar to its tincture offering, we would note that Highline falls broadly in the middle of its peers, as their direct-to-consumer business model allows the company to offer competitive pricing across its portfolio.

Almost half of the brands analyzed fell into the value segment, all priced at $0.10 per mg of CBD or lower. Across all 30 SKUs, average retail price was ~$50 per offering, with an average 450 mgs of CBD offered per bottle.

Figure 43 Almost Half Of The Brands Analyzed Fall Into The Value Segment



Source: Company Websites and Cowen and Company
Note: Reflects price per mg of CBD; For companies with multiple SKUs, we used a straight line average

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Figure 44 CV Sciences Gummies Are Priced At A Premium

Source: Company Website

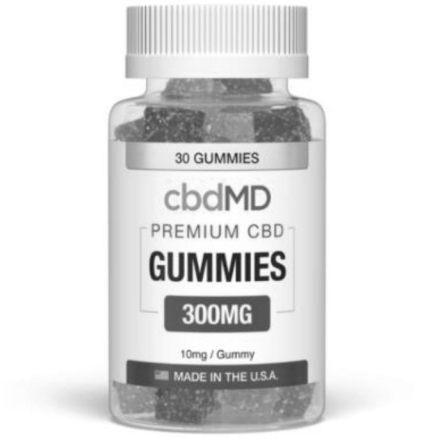
Figure 45 Green Roads' 300 MG Gummies Retail For $55

Source: Company Website

Figure 46 Highline Is Priced Competitively

Source: Company Website

Figure 47 cbdMD Offers Two 30 Count SKUs (300 mgs and 750 mgs)



Source: Company Website

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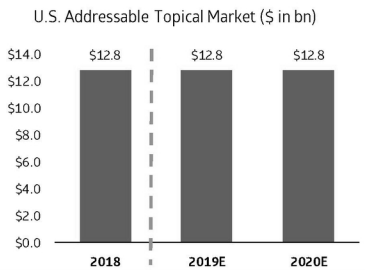
Topicals

Outside of nutraceuticals, we expect the topical CBD market to provide the largest contribution to industry sales. We believe the non-ingestible nature of the product makes it more attractive to consumers looking to experiment in CBD and can provide a source of trial into the category. While the CBD market clearly needs more clinical research into the benefits of the cannabinoid, it has been suggested that two of the primary benefits are anti-inflammation and muscle recovery, which can cater to a large and diverse consumer base.

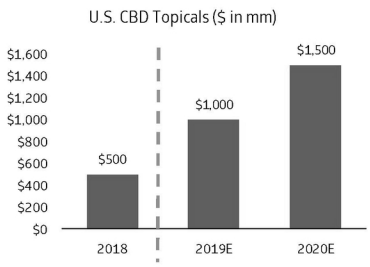
Over the next two years, we expect the topical CBD market to grow to $1.5 bn (almost $1 bn less than our outlook for nutraceuticals). We estimate that in 2018, the total addressable U.S. topical market, which includes both OTC and rx offerings was ~$12.8 bn. If we assume no growth in the category base, a $1.5 bn CBD category by 2020 would imply a ~12% share of the market, the largest market share among all of the categories analyzed, excluding nutraceuticals.

Figure 48 U.S. Topical Category Generates ~$13 BN In Revenue



Source: Company Reports and Cowen and Company

Figure 49 We Believe CBD Topicals Could Be A $1.5 BN Market in 2 Years



Source: Cowen and Company

Our below scenario analysis provides a wider incremental range of market share outcomes relative to other categories. We can see that every 5 pts of market share capture is worth over $600 mm in revenues. While our analysis contemplates a 2% share of the topical market, we believe that this is unlikely and view the floor at ~7%, which would imply almost $900 mm in revenues by 2020. Given the number of companies providing topical solutions, coupled with what we expect to be robust consumer demand, a market share between 12-17% is not unrealistic.

Figure 50 Topicals Expected To Be a Major Contributor to CBD

2020 Market Share Scenario Analysis					
Market Share	2%	7%	12%	17%	22%
Absolute Sales ($ in mm)	$220	$860	$1,500	$2,140	$2,780

Source: Cowen and Company

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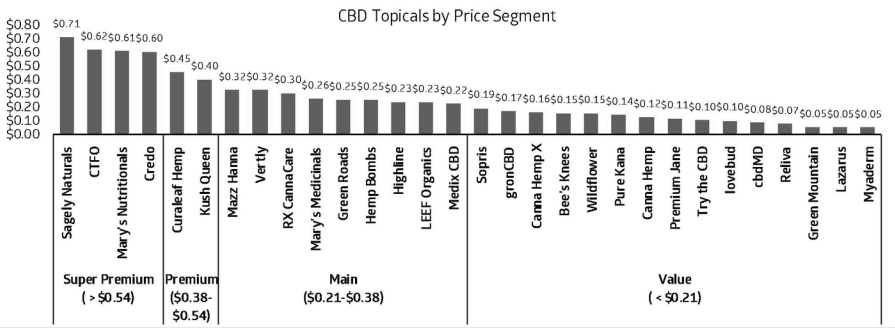
Benchmarking across the topical market, we would highlight the absolute number of brands offering a product, which while not exhaustive, provides context on the popularity of the form factor. Similar to most other verticals, Mary's topicals fall into the super-premium segment, which we define as anything above $0.54 per mg of CBD. Of all the SKUs analyzed, the premium segment looks to be the narrowest, while mainstream and value segments are the most popular price point among the competitive set.

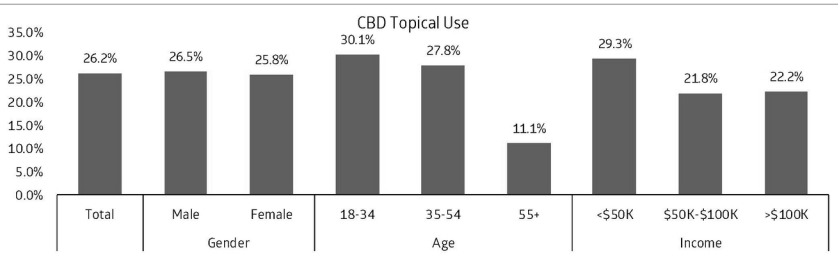
Figure 51 Popularity in Topicals Are Reflected In The Overall Number Of Brands Playing Within The Segment



Source: Company Websites and Cowen and Company
Note: Reflects price per mg of CBD; For companies with multiple SKUs, we used a straight line average

According to our proprietary Cowen consumer survey, of respondents who use CBD, 26.2% of people use topicals as a form factor, which is the highest level seen after tinctures. Usage among men and women look to be similar, though younger, lower income use looks to be more prevalent when benchmarking to older, higher income cohorts. Similar to capsules, this could reflect the large number of brands we see playing in the value segment.

Figure 52 Topical Use Is More Prevalent Among Younger, Lower Income Consumers



Source: Cowen Survey, N=~2500, January 2019

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Figure 53 Mary's Provides A Range Of Topicals, Including Muscle Freeze

Source: Company Report

Figure 54 Curaleaf Hemp Lotion Priced On The Premium Side

Source: Company Website

Figure 55 Highline Positioned Within Mainstream

Source: Company Website

Figure 56 Reliva's Pain Cream Retails For $19.99

Source: Company Website

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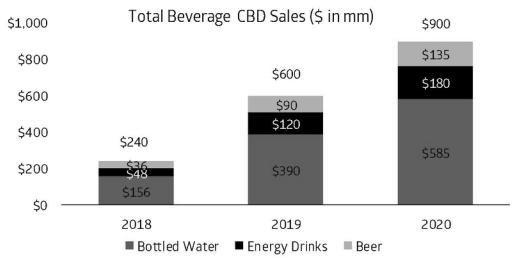
Beverages

Over the next two years, we believe that the beverage category can grow to a $900 mm revenue opportunity. Our conviction in this category is underscored by our proprietary consumer survey, which shows that almost 20% of CBD users consume beverages, which we view as an encouraging sign. For 2019, we are forecasting a notable acceleration in growth, with revenues more than doubling to $600 mm. Assuming growth moderates in 2020 (to 50%), we believe revenues will approach the $1 bn mark.

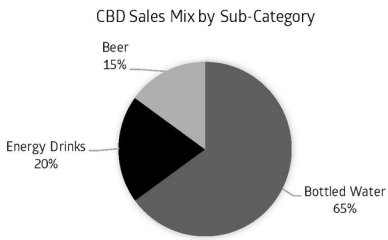
Figure 57 Sales for Beverages Can Approach $1 BN Over the Next Two Years



Source: Cowen and Company

Below we provide a sub-segment build by category, where we believe CBD water will represent the lion's share of sales at 65%. Energy drinks have been focused on health and wellness and we believe that CBD-infused energy drinks will represent a niche segment in a category that continues to see more competition. We expect CBD beer to have a place in the category, though should admittedly be smaller in scale, given less interest from a lack of THC.

Figure 58 CBD Water Should Have An Outsized Contribution On Category Sales



Source: Cowen and Company

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Bottled Water

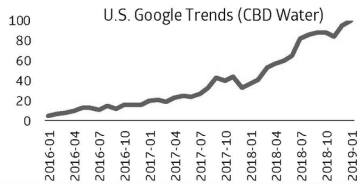
Consumer interest in CBD continues to gain momentum. For beverages, in particular water, this is evidenced by analyzing current Google Trends, where interest rose considerably over the course of 2018 and looks to still be achieving new highs, which is not surprising, given the recent passage of the U.S. Farm Bill.

Figure 59 Bottled Water Should Be The Most Popular CBD Beverage

2020 Market Share Scenario Analysis							
Market Share	0.6%	1.1%	1.6%	2.1%	2.6%	3.1%	3.6%
Absolute Sales ($ in mm)	$159	$301	$443	$585	$727	$869	$1,011

Source: Cowen and Company

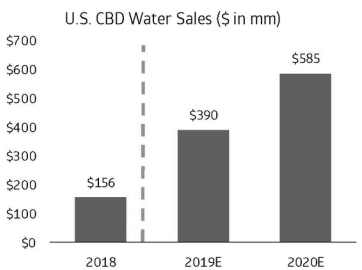
Figure 60 Increasing Interest Reflected In Google Search Trends



Source: Google Trends and Cowen and Company

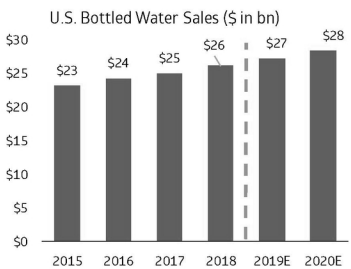
Over the next 2 years we believe that the U.S. CBD water category can generate close to $600 mm in revenues. In Nielsen, U.S. bottled water generated just over $13 bn in 2018. Assuming Nielsen channels account for 50% coverage of the category implies total revenues of over $26 bn. Applying the 4.2% CAGR the category has grown over the last 3 years and extrapolating out results in total revenue surpassing $28 bn by 2020. Our estimates are premised on CBD water achieving a ~1.5% market share in 2019 and a conservative ~2% market share of the U.S. bottled water category in 2020. We would note that a ~2% share of the bottled water category compares to a ~3% share for coconut water. With the amount of consumer interest and potential functional benefits that come along with CBD, we believe that a modest 2% share of the category is reasonable, in particular if multiple larger players within the beverage space enter the category and drive distribution. Above, we provide a scenario analysis on the revenue opportunity assuming different market share levels.

Figure 61 A 2% Share Implies Over $500 MM In Revenues



Source: Cowen and Company

Figure 62 Bottled Water Category Growth Remains Healthy



Source: The Nielsen Company and Cowen and Company
Note: Assumes 50% coverage in Nielsen

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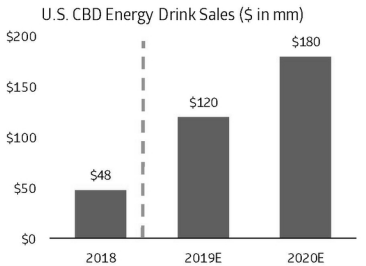
Energy Drinks

Energy is another beverage category that we feel is ripe for CBD inclusion, as it continues to expand towards health and wellness propositions. This has been reflected in consistent strong growth from MNST's Ultra line, which offers functional benefits without the sugar, Muscle Monster, which is high in protein, as well as the emergence of Bang, which contains BCAA. At their recent Analyst Day, MNST indicated that they will be launching a new product called Reign, which will offer 5x the amount of BCAA as Bang. As the lines between core energy drinks and health and wellness offerings continue to blur, we would expect all of the major players to come to market with offerings that contain CBD and provide incremental functional benefits (such as muscle recovery).

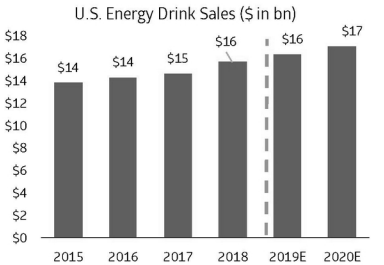
We believe that by 2020 it is reasonable for CBD's share of the energy category to reach ~1%, which we view as conservative as it is below the current market share run rate that Bang has already been able to achieve. A 1% share would imply revenues of ~$180 mm for the CBD segment, assuming that the category continues to grow at the same 4.3% CAGR it has delivered over the past three years. We can see below that implied category revenues for total energy would grow by over $1 bn over the next two years to ~$17 bn.

Figure 63 Almost $200 MM In Revenues Assuming 1% Share By 2020



Source: Cowen and Company

Figure 64 Extrapolating 4.3% CAGR Results In Category Revenues Surpassing $17 BN In 2 Years



Source: The Nielsen Company and Cowen and Company
Note: Assumes 75% coverage in Nielsen

Below we provide a scenario analysis on CBD energy revenues associated with market share gains. We would note that a 0.3% share by 2020 would be at the low-end of our expectations and result in revenues of ~$50 mm. As a point of reference, recall that Mutant, which did not perform to expectations and has essentially been de-prioritized by MNST, has a current market share of ~0.2%.

Figure 65 Blurred Lines Between Core Energy And H&W Make CBD Ripe For Entry Into Category

2020 Market Share Scenario Analysis							
Market Share	0.3%	0.6%	0.8%	1.1%	1.3%	1.6%	1.8%
Absolute Sales ($ in mm)	$52	$95	$137	$180	$223	$265	$308

Source: Cowen and Company

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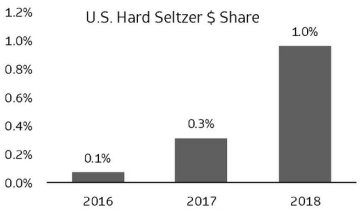
Beer

We believe CBD infused beer can serve as a niche segment in a rapidly evolving beer category. With core beer under pressure, a continued theme from the key manufacturers within the space has been a focus on innovation, as well as a move away from alcohol into low and no-alcohol offerings (ABI is targeting 20% of portfolio to be low / no alcohol by 2025).

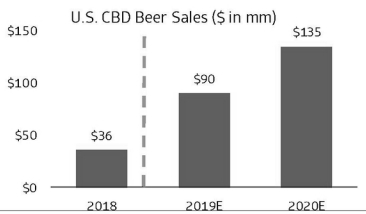
On the innovation front, hard seltzer looks to be resonating with consumers, which we believe is sticky, as it offers consumers a new product and opportunity to drive incremental drinking occasions, while checking the box from a health and wellness standpoint. In 2018, the hard seltzer category achieved a 1% market share of the combined beer category, which includes, core beer, cider and FMBs. If we assume that CBD-infused beer is able to capture a modest fifth of that amount of share by 2020 (~20 bps), that could result in a revenue opportunity of over $130 mm. We have been hearing growing interest in companies looking to combine CBD in alcoholic beer to offer potential hangover relief.

Figure 66 Hard Seltzer Achieved A 1% Dollar Share In 2018



Source: The Nielsen Company and Cowen and Company

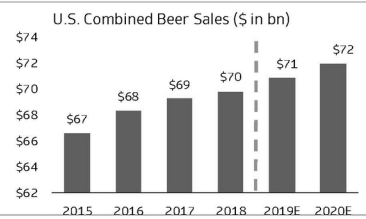
Figure 67 Assuming ~20 Bps Of Share For CBD Beer = $135 MM



Source: Cowen and Company

These estimates are benchmarked to a category that has grown sales at a 1.6% CAGR over the past three years. If we assume Nielsen provides 50% coverage of the total category and extrapolate that growth out, total off-premise revenues should approach $72 bn by 2020. We provide a sensitivity analysis below on the 2020 revenue opportunity based on different levels of market share capture. We estimate every 5 bps of share is worth $36 mm.

Figure 68 1.6% Growth Should Result In Category Revs Of ~$72 BN



Source: The Nielsen Company and Cowen and Company
Note: Assumes 50% coverage in Nielsen; off-premise sales only

Figure 69 Each 5 bps Of Share Is Worth $36 MM In Revenue

2020 Market Share Scenario Analysis					
Market Share	0.09%	0.14%	0.19%	0.24%	0.29%
Absolute Sales ($ in mm)	$63	$99	$135	$171	$207

Source: Cowen and Company

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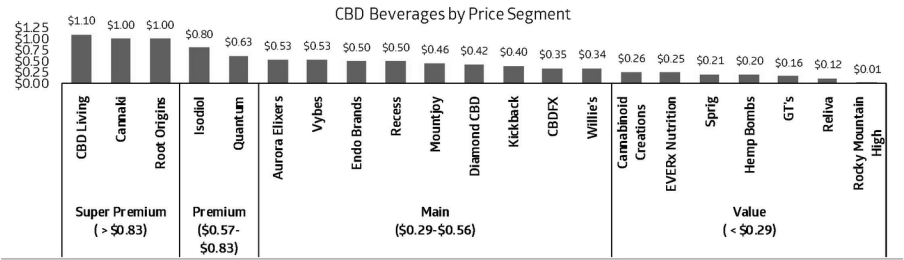
There are a solid amount of beverage companies currently playing within the space, largely price positioned within the mainstream and value segments of the market. We would highlight that on a price per mg basis, beverages skew higher across the board, relative to tinctures, capsules and gummies.

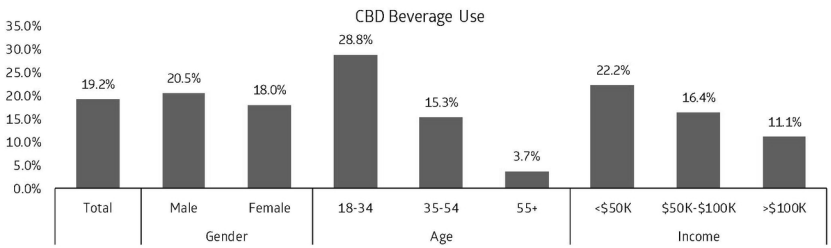
Figure 70 Beverage Price Points Are Premium Relative To Tinctures, Capsules, Gummies, And Topicals



Source: Company Websites and Cowen and Company
Note: Reflects price per mg of CBD; For companies with multiple SKUs, we used a straight line average

Based on our survey, of respondents that use CBD, 19.2% use beverages as a form factor, which is admittedly higher than we would've expected given the nascent stage of the category. Similar to both capsules and topicals, beverage use is a more popular choice among younger, lower income consumers (by a wider margin relative to other age cohorts compared to the other categories). This leaves us optimistic on the future prospects of the category as a waterfall effect can result in an increase in category mix.

Figure 71 Popularity Among Younger Consumers Can Result In A Waterfall Effect Over Time



Source: Cowen Survey, n=~2500, January 2019

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Figure 72 Recess Offers Impressive Packaging

Source: Company Reports

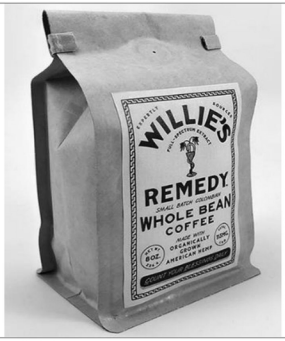
Figure 73 Sprig Offers A Variety Of Flavor Options

Source: Company Website

Figure 74 Shots May Overlap with Energy Over Time

Source: Company Website

Figure 75 Willie's Recently Came to Market with a Coffee



Source: Company Website

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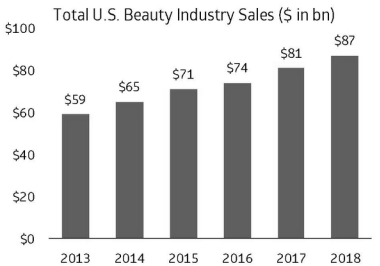
Beauty

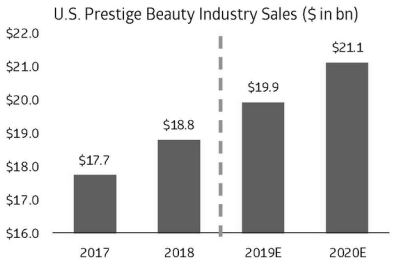
The U.S. beauty category, which is inclusive of skin care, cosmetics, haircare, fragrance, bath & body, salon styling tools, and other toiletries, is a ~$87 bn industry according to Euromonitor International and IBIS World Inc. Within mass beauty, the prestige segment grew 6%, accounting for almost $19 bn in revenue in 2018 according to NPD. If we extrapolate the 6% growth in prestige beauty out through 2020, that would result in segment revenues surpassing $21 bn over the next two years.

Figure 76 Total U.S. Beauty Is A ~$87 BN Industry



Source: Company Reports and Cowen and Company

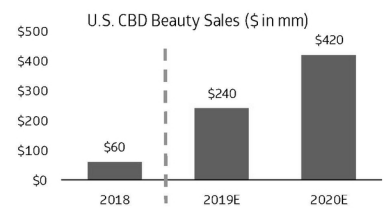
Figure 77 Prestige Can Grow To Over $21 BN By 2020



Source: NPD and Cowen and Company

We expect that CBD beauty will become more of a focus for consumers, as large-scale manufacturers and retailers begin to roll out more products, which will presumably generate positive mix and result in a step-change in market share capture. As such, we believe that a ~1% share of the prestige market is achievable in 2019, doubling to 2% in 2020, which would equate to over $400 mm in sales. The below analysis provides a scenario of revenue outcomes based on share capture, ranging from ~$200 mm to over $600 mm.

Figure 78 CBD Beauty Sales Can Surpass $400 MM By 2020



Source: Cowen and Company

Figure 79 Each 50 bps Of Share Is Worth Over $100 MM In Revenue

2020 Market Share Scenario Analysis					
Market Share	1.0%	1.5%	2.0%	2.5%	3.0%
Absolute Sales ($ in mm)	$209	$314	$420	$526	$631

Source: Cowen and Company

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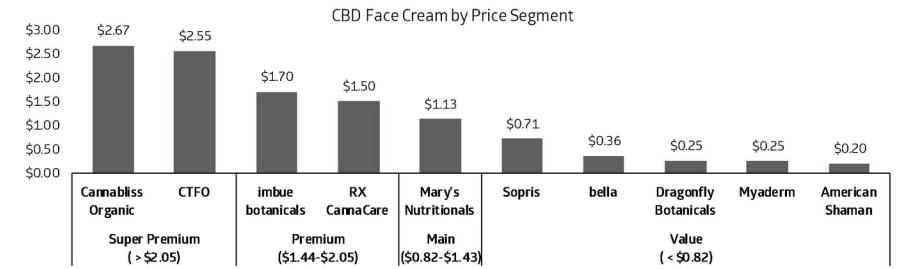
Beauty products, and face treatments in particular, command price points notably above other form factors across the space, which will presumably offer by far the highest gross margins. Among high-end face creams, Cannabliss Organic and CTFO provide 30 mgs and 20 mgs of CBD respectively, while commanding price points ranging from $50-$80.

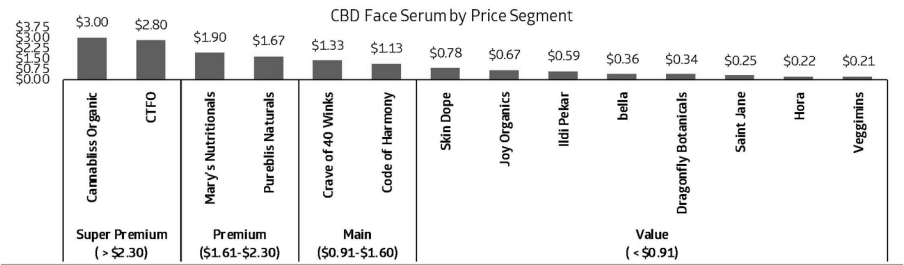
Figure 80 Beauty Facial Products Command Meaningfully Higher Price Points



Source: Company Websites and Cowen and Company
Note: Reflects price per mg of CBD; For companies with multiple SKUs, we used a straight line average

Face serums look to be even more expensive across all segments, with price points from mainstream through super-premium ranging from over $1 to $3 per mg of CBD.

Figure 81 Face Serums Are The Most Expensive On A Price/MG Basis



Source: Company Websites and Cowen and Company
Note: Reflects price per mg of CBD; For companies with multiple SKUs, we used a straight line average

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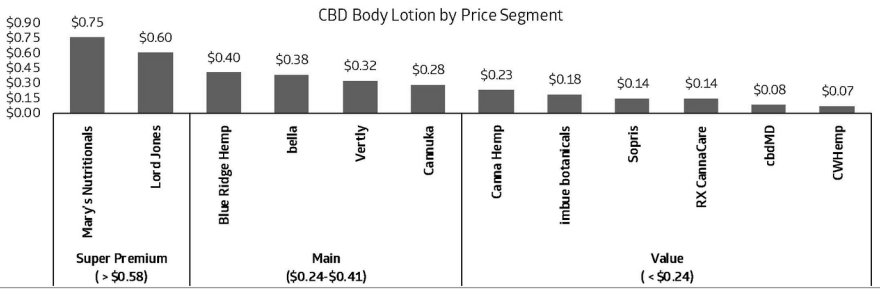
Body lotions offer more value per mg of CBD, relative to facial beauty products, with Mary's and Lord Jones positioned at the high-end of the competitive set. To segment from the broad topicals market, we would note that we classified beauty creams as products offering soothing and moisturizing characteristics (as opposed to targeted pain relief).

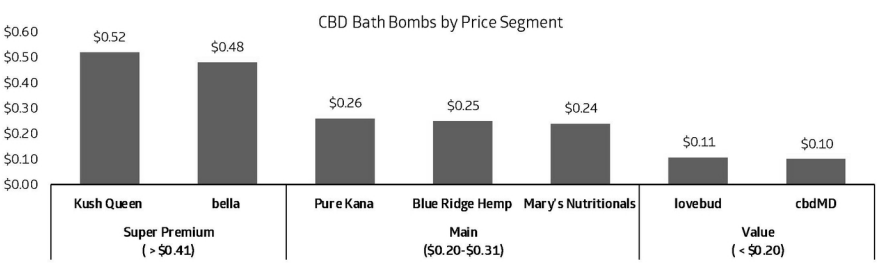
Figure 82 Body Lotions More Moderately Priced Relative To Facial Beauty Products



Source: Company Websites and Cowen and Company
Note: Reflects price per mg of CBD; For companies with multiple SKUs, we used a straight line average

Bath products are not surprisingly the most reasonably priced within beauty. We would note that cosmetics are still a niche category within CBD, which is reflected in the lower number of products and SKUs currently offered. That said, we believe the multiple sub-categories offering CBD products will appeal to a broad range of consumer demographics.

Figure 83 Bath Bombs Are A Niche Segment



Source: Company Websites and Cowen and Company
Note: Reflects price per mg of CBD; For companies with multiple SKUs, we used a straight line average

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Figure 84 Mary's Offers Multiple Beauty Products

Source: Company Reports

Figure 85 Through its Recently Announced JV With Dixie Brands, Khiron Will Eventually Roll Out Its Kuida Line In The U.S.

Source: Company Website

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Figure 86 Lord Jones Packaging Reflects Premium Nature Of The Brand

Source: Company Reports

Figure 87 In Addition To A Lotion, They Also Offer A Body Oil

Source: Company Reports

Figure 88 CWEB Offers Creams...

Source: Company Website

Figure 89 ...And Balms

Source: Company Website

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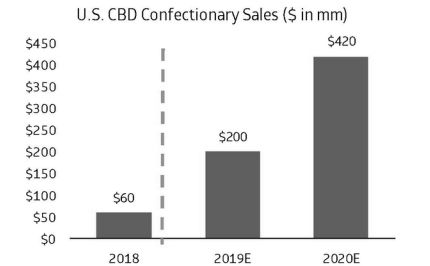
Food (Confections)

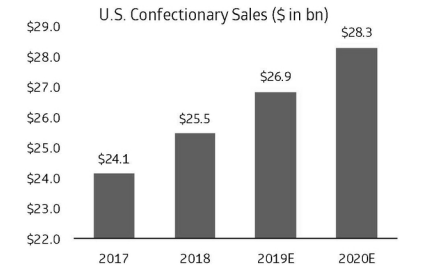
The food category, which we classify as confections, including gum drops, chocolates, baked goods, and bars, is expected to be one of the smaller revenue opportunities relative to nutraceuticals, topicals and beverages. That said by 2020, we believe the sales can surpass $400 mm, should the category increase its share of overall CBD to 7% by 2020. In the U.S., we estimate that the confection category (chocolate, non-chocolate and gum) grew to $25.5 bn in 2018, reflecting a 5.5% YoY growth rate. If we extrapolate that growth out over the next 2 years, the total implied confection market would surpass $28 bn. A $420 mm CBD food category would reflect just a 1.5% share of the total confectionary industry.

Figure 90 Confectionary CBD Sales Can Surpass 400 MM By 2020



Source: Cowen and Company

Figure 91 Extrapolating 5.5% Growth Results In Category Revenues Surpassing $28 BN In 2 Years



Source: IRI and Cowen and Company
Note: 2018 sales reflect latest 52 weeks ended 3/25/18

The below sensitivity contemplates the overall revenue opportunity based on CBD confections share of the overall category. While we believe a 1.5% share is reasonable and achievable, the revenue outcomes range from ~$100 mm to $700 mm based on the level of market share gains achieved over the next two years.

Figure 92 We Believe Sales Can Range From Over $100 MM To ~$700 MM Based On Level Of Share Capture

2020 Market Share Scenario Analysis					
Market Share	0.5%	1.0%	1.5%	2.0%	2.5%
Absolute Sales ($ in mm)	$137	$278	$420	$562	$703

Source: Cowen and Company

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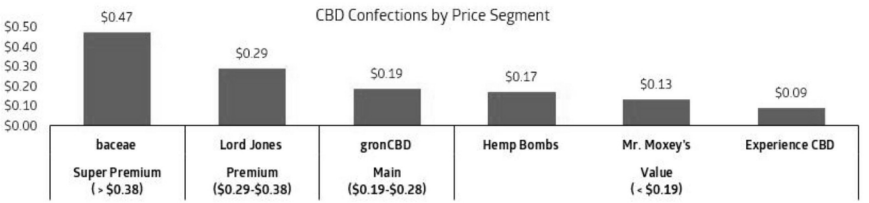
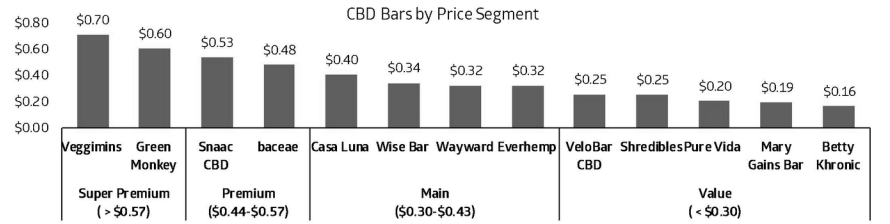
Confection products are diverse, which we classify as essentially any edible food falling outside of gummy vitamins. Of the brands analyzed, super-premium brand, beceae offered by far the most SKUs (15), which largely consist of chocolates and other baked goods. We would caveat that although Lord Jones products fall into the premium segment as part of this analysis, if we were to benchmark them against the broad gummies category, they would've been at the top of the super-premium range.

Figure 93 Confections Are Broad Based



Source: Company Websites/Reports and Cowen and Company
Note: Reflects price per mg of CBD; For companies with multiple SKUs, we used a straight line average

Figure 94 CBD Bars Broadly Comprised Of Protein, Power, Energy And Granola Offerings



Source: Company Websites and Cowen and Company
Note: Reflects price per mg of CBD; For companies with multiple SKUs, we used a straight line average

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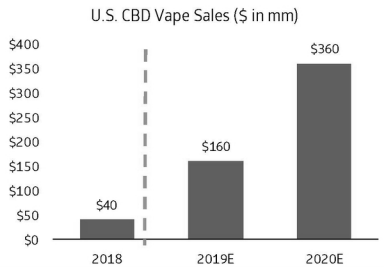
Vapor

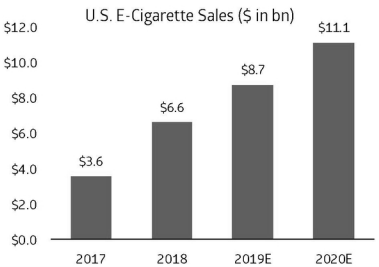
While vapor remains the major market share gainer across adult use cannabis, CBD only offerings are much smaller, but represent a solid growth segment. Over the next two years, we believe the category can generate over $350 mm in revenues, with upside if consumer adoption of this particular form factor resembles the adult use market for THC, or the growing popularity of nicotine vapor. We benchmark the market opportunity against the U.S. e-cigarette category, which we are forecasting to grow ~32% in 2019 and ~27% in 2020, resulting in revenues surpassing $11 bn in 2020. In addition to e-commerce, we believe there will be distribution channel overlap with e-cigs, with a focus on vape shops and convenience stores (as opposed to just dispensaries). If vapor generates $360 mm in revenues in 2020, that would result in an implied market share of 3.2%, roughly 10% of JUUL's current U.S. market share.

Figure 95 Vapor Will Be Smaller, But Can Grow To Almost $400 MM



Source: Cowen and Company

Figure 96 Our E-Cig Model Assumes Revenues Of ~$11 BN By 2020



Source: Cowen and Company

The below scenario analysis shows that every 50 bps of market share capture is worth ~$56 mm in revenues. While we are forecasting CBD vape to be ~3% of the market, we believe there is upside to these numbers and that strong consumer adoption can result in revenues surpassing $500 mm.

Figure 97 $360 MM In Revenue Implies A ~3% Share Of The Category

2020 Market Share Scenario Analysis							
Market Share	1.7%	2.2%	2.7%	3.2%	3.7%	4.2%	4.7%
Absolute Sales ($ in mm)	$193	$249	$304	$360	$416	$471	$527

Source: Cowen and Company

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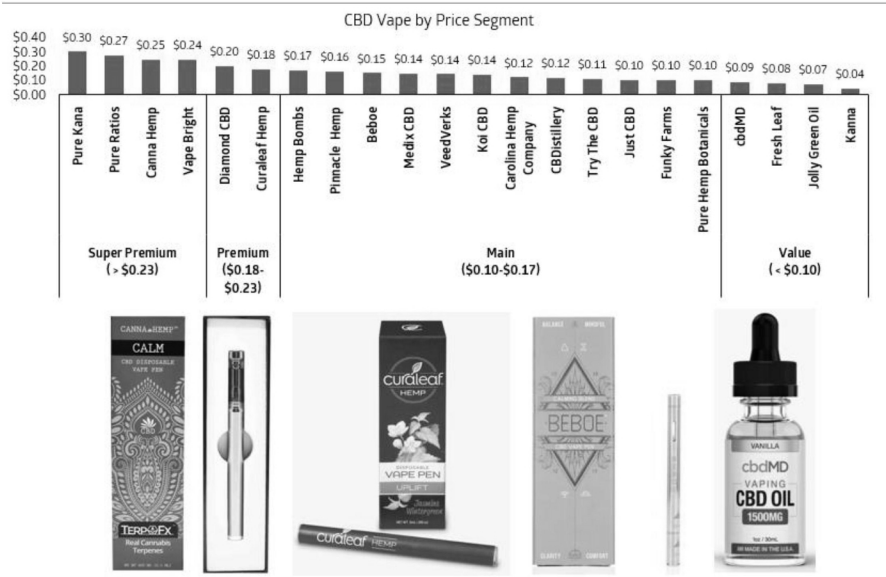
The below figure reflects the notable competition seen within vape as more companies continue to enter the space. In addition to CBD only-focused companies, we are starting to see crossover from adult-use / medical focused companies including Green Thumb Industries and Curaleaf Hemp. Indeed, GTI recently announced the acquisition of Beboe, which will offer a CBD vape pen with a focus on gaining distribution in high-end retail stores. Curaleaf will offer their pen through its e-commerce platform and dispensaries.

Notably, crossover does not pertain solely to cannabis companies, as Turning Point Brands recently announced a minority stake in CASH, a privately held CBD extraction and production company. With a rapidly growing vapor infrastructure in place already (from Vapor Beast, Vapor Shark and Vapor Supply), TPB has a number of avenues and distribution points, both B2B and B2C, to introduce CBD vapor products to complement its portfolio. As such, we look for new CBD product introductions from TPB over the next year, with vapor as a logical entry point and key focus area.

Figure 98 Competition Expected to Heat Up Across Vapor



Source: Company Websites and Cowen and Company
Note: Reflects price per mg of CBD; For companies with multiple SKUs, we used a straight line average

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The below chart provides a condensed visual snapshot on company pricing in the preceding category discussions. We would highlight the broad number of categories that multiple emerging private companies are actively competing in, which is expected to increase as the category continues to gain momentum.

Below we provide company descriptions on some of the more notable public and private companies currently competing within the space.

Figure 99 Condensed Pricing Heat Matrix By Company And Category

CBD Price/MG Summary Matrix									
	Tinctures	Capsules	Gummies	Confections	Balm	Bath Bombs	Topicals	Vape	Beverages
baceae	$0.17			$0.47					
Beboe								$0.15	
Canna Hemp	$0.08	$0.10			$0.33		$0.12	$0.25	
Casa Luna									
cbdMD	$0.08	$0.07	$0.10			$0.10	$0.08	$0.09	
Charlotte's Web	$0.08								
CV Sciences	$0.16	$0.12	$0.24		$0.62				
Diamond CBD	$0.22		$0.08					$0.20	$0.42
Elixinol	$0.11	$0.09			$0.24				
Green Roads	$0.20	$0.12	$0.18				$0.25		
Hemp Bombs	$0.11	$0.14	$0.12	$0.17			$0.25	$0.17	$0.20
Highline							$0.23		
Lazarus	$0.04	$0.05			$0.05		$0.05		
Lord Jones	$0.24	$0.11		$0.29					
Mary's Medicinals	$0.16	$0.60			$0.50	$0.24	$0.26		
Mr. Moxey's				$0.13					
Papa & Barkley	$0.13								
Premium Jane	$0.17	$0.12	$0.09				$0.11		
Pure Kana	$0.16	$0.12	$0.08			$0.26	$0.14	$0.30	
Recess									$0.50
Reliva	$0.08		$0.20				$0.07		$0.12
Sprig									$0.21
Sunday Scaries	$0.15		$0.20						
Veggimins	$0.11								
Willie's									$0.34

Note: Blue highlight denotes higher price point, gray denotes lower price point. Balms and Bath Bombs for Mary's Medicinals represent Mary's Nutritionals.
Source: Company Websites and Cowen and Company

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The CBD Competitive Landscape – Public/Private Company Discussions (Azer)

Publicly Traded Companies

1933 Industries. Publicly-traded 1933 Industries (CSE: TGIF; OTCQX: TGIFF) is a vertically integrated cannabis company with operations in both the U.S and Canada. 1933 operates through three subsidiary companies which includes Alternative Medicine Association (AMA), Infused MFG and Spire Global Strategy. AMA (91% ownership), is a licensed medical and adult use cannabis cultivation facility. Infused MFG (91% ownership) produces hemp-based CBD products and Spire Global Strategy (100% Ownership) is an advisory firm offering due diligence, security and intelligence services. The company was an early competitor having launched its first CBD brand in June 2017. The two main brands are Canna Hemp and Canna Fuze, which are distributed across 600 retail locations across the U.S. (largely focused on dispensaries), with 15% of sales coming from e-commerce. In 2018, 1933 delivered ~$12.6 mm in overall revenues, with a gross margin of 49%. Infused MFG specifically contributed 34% to revenues (~$4.3 mm), while achieving a gross margin of 71%.

Canopy Growth (Outperform, C$82 PT). Canopy Growth is a leader in global cannabis, with exposure to over a dozen countries spanning five continents. As the market share leader in the nascent adult use market in Canada, WEED generated sales of $83 mm in its most recent quarter. In addition, WEED was the first Canadian licensed producer to partner with a major consumer packaged goods company. In October 2017, they announced the initial relationship with Constellation Brands, which was meaningfully expanded with a $4 bn investment announced in August 2018. The company has announced its intention to invest $100-$150 mm in New York State (where STZ is headquartered), to construct a hemp industrial park focused on extraction and product manufacturing. More recently, management has noted a willingness to invest as much as $500 mm against U.S. CBD with the expectation that this infrastructure could ultimately be converted to capitalize on a U.S. adult use opportunity, when it materializes.

Charlotte's Web. Founded in 2013 and based in Boulder Colorado, Charlotte's Web is a publicly-traded, market leader within hemp-derived CBD (CSE: CWEB; OTCQX: CWBHF). The company has a vertically integrated business model, consisting of cultivation, manufacturing and distribution. Charlotte's Web products are sold in 3,680 retail locations, with an expanding channel footprint that includes national grocery, drug, mass market, pet, and natural / specialty retailers. Despite being well distributed, 55% of 9M18 revenue has been derived from the company's direct to consumer e-commerce model. Going forward, Charlotte's Web will continue to drive innovation and will look to improve their liquid delivery system to enhance efficacy, convenience and frequency of use. What is more, they will offer botanical blends to target consumer need states (sleep and cognitive function), upgrade bioavailability technology and focus on additional isolated cannabinoid products. To drive sustained growth, the company will look to build brand awareness through media events and social platforms, among others and introduce new, differentiated botanical products in the form of tinctures, capsules, powders, sports performance, topicals, cosmetics, beverages and pet products. Charlotte's Web will selectively pursue M&A to complement their current strengths and will also look to expand internationally, with a near term focus on the EU, South America and Asia. Through FY 9M18, Charlotte's Web has delivered revenues of $48 mm (+75%), with a gross margin of 77%.

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Curaleaf Hemp. Curaleaf (CSE: CURA; OTC: CURLF) is a vertically integrated U.S. multi-state operator (MSO), based in Massachusetts that focuses on selling Curaleaf branded products in its company-owned dispensaries. In September, the company launched a separate CBD focused line called Curaleaf Hemp, which is currently sold in 47 states. Form factors currently offered include tinctures, capsules, topicals, patches, vape pens, and pet treats. With both ingestible and topical CBD products currently offered in select Wegman's stores, Curaleaf Hemp is focused on expanding into more channels and becoming a national CBD brand by the end of the year. Curaleaf Hemp products are mid-tier priced, coming in above value offerings, but below what would be considered super-premium. This allows them to competitively target pharmacy chains and grocery stores. Curaleaf believes women represent an outsized opportunity within CBD and will focus their efforts on positioning their products towards that specific cohort. This makes good sense to us as our proprietary survey indicated that women slightly over-index to CBD relative to men. Through FY9M18, Curaleaf has generated ~$45 mm in revenues (including adult use and medical) reflecting a 247% YoY growth rate, while delivering a gross margin of 57%.

CV Sciences. Headquartered in San Diego, CA, publicly traded CV Sciences (OTCQB: CVSI) has two distinct operating divisions, consisting of consumer products and specialty pharmaceuticals. Within consumer products, the company is engaged in the development, manufacturing, marketing, and distribution of hemp-derived CBD products, which are refined into its own *PlusCBD Oil*™ brand. Form factors are broad based and include oils, capsules, sprays, balms, beauty products, and gummies, and are distributed nationally in health food stores and health care provider offices through select distributors and online. CV Sciences currently distributed to over 2,000 retail locations. CV Sciences has generated ~$34 mm in revenues though the first nine months of FY18, which reflects a 153% YoY growth rate. Over the comparable timeframe, the company reported gross margin of 72%, reflecting over 300 bps of expansion.

Elixnol. Elixinol (ASX: EXL; OTCQX: ELLXF) has a global presence in the cannabis industry, including hemp-derived CBD dietary supplements, food and wellness products, as well as the cultivation and manufacturing of medicinal cannabis products. Business segments include:

- **Elixinol USA.** Founded in 2014, Elixinol USA is a manufacturer and global distributor of industrial hemp-based dietary supplements and skincare products, with operations based out of Colorado.
- **Hemp Foods Australia.** Founded in 1999, is a leading hemp foods wholesaler, retailer, manufacturer and exporter of bulk ad branded raw materials and finished products.
- **Elixinol Australia.** Founded in 2014, to participate in the emerging Australian medical cannabis market.

In 2018, Elixinol revenues grew 121% YoY to ~$AUD 37mm (~$27 mm). The company's North America business contributes over 80% to total company revenues.

Green Thumb Industries (Beboe). As one of the more well-known U.S. multi-state operators (MSOs), Green Thumb Industries (CSE: GTII; OTCQX: GTBIF) recently announced the acquisition of Beboe, a premium cannabis brand, headquartered in California. Beboe products are sold in over 125 California and Colorado retail locations, and notably, the acquisition will give GTI access to the CBD market through Beboe's recently launched, direct-to-consumer line of hemp derived CBD products. Current CBD products offered from Beboe include a vape pen, called Calming, which contains 500 mgs cannabis oil, as well as a beverage called Dirty Lemon. In order to maintain the premium nature of the Beboe brand equity, GTI plans to ship the product into high-end luxury stores (which currently includes Barney's). In the first nine months of fiscal 2018,

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GTI has reported revenues of ~$41.7 mm (which includes adult use and medical), reflecting a YoY growth rate of over 300% and gross margin of 45%. We would note that on a pro-forma basis including the acquisition of Essence, in the most recent quarter, GTI would have generated revenues of over $35 mm (vs. $17.1 mm reported).

Khiron Life Sciences Corp. Khiron is a publicly-traded (TSXV: KHRN; OTCQB: KHRNF), vertically integrated cannabis company currently focused on Latin America. Priority markets in the region include Colombia, Peru, Chile, Brazil, and Mexico. Earlier this year, they announced a 50/50 JV with U.S.-based Dixie Brands, which will result in the introduction of a full line of cannabis infused products to the Latin American market. Importantly, as part of the agreement, Dixie will manufacture and distribute Khiron's Kuida brand of CBD-based cosmetics in the U.S., where they will target the growing Hispanic population. Khiron will operate the JV from Bogota, Colombia, with a focus on regulation, cultivation, manufacturing, and distribution. Dixie will contribute IP, including its extensive brand portfolio, which includes over 100 SKUs spanning 15 different categories. Khiron recently recognized first sales in October 2018.

Level Brands. Originally founded as a consumer products company in 2015, Level Brands (NYSE American: LEVB) subsequently expanded into licensing and brand management prior to initiating an IPO in 2017. Most recently in 2018, the company completed the acquisition of cbdMD, a CBD consumer products brand with products available online and in over 1,000 retail outlets across the U.S. cbdMD offers 60 skus, 24 of which come in the form of oils, while 12 SKUs come in the form of topicals. Additionally, other cbdMD form factors offered include capsules, gummies, bath bombs, and pet products. In its first year, cbdMD delivered $7.5 mm in sales, while achieving a gross margin in excess of 70%. From a route to market perspective, 80% of revenues come from e-commerce, though the company started to build out a sales team to drive brick and mortar penetration.

Tilray (Outperform, $150 PT). Canadian-based Tilray (NASD: TLRY), is a licensed producer and distributor of cannabis across Canada, as well as internationally. Through the company's strategic partnership with Privateer, TLRY licenses established U.S. based cannabis brands including Marley Natural, Irisa, Goodship, Grail, and Dutchy. TLRY has been active on the M&A front, with previously announced acquisitions / partnerships with Novartis, Authentic Brands and AB-Inbev, among others. Most recently, the company announced a C$419 mm acquisition of Manitoba Harvest, the global leader in hemp-derived food products. The cash and stock deal gives TLRY access to Manitoba Harvest's broad range of food products that are currently distributed in 16,000 stores across North America.

Turning Point Brands (Outperform, $45 PT). Based in Louisville, KY, Turning Point Brands (NYSE: TPB) operates in the Other Tobacco Products (OTP) category and sells and distributes a wide range of products. These products include MST, loose leaf chewing tobacco, cigarette papers, cigar wraps, e-cigs, vaporizers, and herbal wraps. TPB recently announced a minority stake in CASH, a privately held CBD extraction and production company, which should complement its current infrastructure, which includes Vapor Beast, Vapor Shark and Vapor Supply. Additionally, we would note that TPB currently sits on the U.S. Hemp Roundtable Board of Directors. Through the first nine months of fiscal 2018, TPB has reported $238.4 mm in revenues, which reflects a YoY growth rate of over 12%. The company has achieved a run rate gross margin of ~44% over the comparable timeframe.

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Canadian LP Commentary on CBD

In addition to the public companies already actively involved in the hemp / CBD market, we would note that all of the major Canadian public cannabis companies have been vocal in terms of expressing their interest in the space, as reflected in the below commentary.

Aphria (APH)

"Depending on the country, there is a lot of movement in Europe...with a CBD light. That CBD, that source from hemp, and what we are contemplating in certain countries, Portugal being one, Italy being one." **Chairman, CEO & President Victor Neufeld (1Q19 Earnings Call)**

Aurora (ACB)

"I think the hemp industry, I tell a lot of the people here that I think it's going to be as big or bigger than the cannabis industry." **Founder, CEO and Director Terry Booth (4Q18 Earnings Call)**

"We've got -- obviously, we're first mover in the hemp space out of any other of our competitors. And we'll enter when it's proper to enter and when it's legal to enter into the United States market." **Founder, CEO and Director Terry Booth (2Q19 Earnings Call)**

Canopy Growth (WEED, Outperform, C$82 PT)

"But CBD every day is moving through a progression where it's going to become part of the normal course available ingredient set...and I think we're doing a very good job of getting in front of that." **CEO Bruce Linton (1Q19 Earnings Call)**

"[CBD is] going to come down to who gets the data to get the branded product that actually works. And I think we're doing a very good job on that and I believe we have a leadership position on that." **CEO Bruce Linton (2Q19 Earnings Call)**

Cronos (CRON)

"At Cronos, we seek to build the world's most innovative cannabinoid company, where we develop and research efficient processes to effectively produce and formulate the full spectrum of cannabinoids, not just THC and CBD." **Chairman, President & CEO Michael Gorenstein (3Q18 Earnings Call)**

Emblem Corp (EMC)

On 8/1/18, Emblem and GreenSpace announced a strategic partnership to develop and commercialize CBD infused health and beauty products for the expected adult-use cannabis market. **(Press Release)**

"Emblem's partnership with GreenSpace Brands is an industry first and represents an incredible opportunity to capitalize on the growing CBD market in Canada." **CEO Nick Dean (Press Release)**

Emerald Health Therapeutics (EMH)

Emerald secured over 500 acres of hemp harvest in 2018 and has contracted for approximately 1000 acres in 2019 to 2022, with the objective of extracting low-cost cannabidiol (CBD). **(Press Release)**

On September 26, 2018 the Company entered into a long-term supply agreement to obtain harvested hemp chaff, plant material consisting of mainly flower and leaf. The supply agreement was signed with Emerald Health Hemp Inc. to purchase CBD containing hemp biomass for extraction into CBD oil. **(Press Release)**

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The Green Organic Dutchman (TGOD)

"We are focused on becoming the Whole Foods of the cannabis industry and recognized as pioneers in the THC/CBD infused beverage industry." **CEO Brian Athaide (Shareholder Letter)**

HEXO Corp (Hexo)

"With respect to the United States, we are in the process of assessing adequate supplies for hemp-derived cannabinoids. Using our intellectual property, we believe we can offer a large range of CBD-based experiences." **HEXO Prospectus (1/25/19)**

Neptune Wellness Solutions (NEPT)

"CBD in the United States-and think about this for a moment where it was federally illegal in the DEA perspective as well as not permitted from an FDA perspective, it is today larger than the vitamin E sector, and it is on track to surpass the omega-3 supplement category very soon." **President, CEO & Director James Hamilton (3Q19 Earnings Call)**

Organigram (OGI)

On 1/21/19, OGI entered an agreement with 1812 Hemp, a New Brunswick base industrial hemp research company to secure supply and support research and development on the genetic improvement of hemp through breeding methods.

Benchmarking

Below we provide a distribution benchmarking analysis on some of the notable publicly traded CBD companies, including Tilray's recently announced acquisition of Manitoba Harvest, which food products are distributed in 16,000 stores across the U.S. and Canada. Among core CBD companies, Charlotte's Web's retail store count of 3,680 stores is almost double that of CV Sciences' 2,000+ retail locations. Level Brands CBD products are in over 1,000 retail locations, while 1933 has a retail footprint spanning 600 stores and counting.

Figure 100 Companies Will Focus on Building our Distribution Footprint

Source: Company Reports and Cowen and Company; Note: TLRY reflects acquisition of Manitoba Harvest

From a revenue perspective, Charlotte's Web is generating the most sales out of what we would classify as core CBD-focused companies. Indeed, in the most recent quarter, the company generated almost $18 mm, which was ~30% higher than number 2 positioned CV Sciences, while Elixinol delivered over $7 mm. We would highlight that for the cross-over brands, Turning Point Brands is currently delivering the highest revenues (consisting of OTP only), while reported revenues factor in adult use and medical sales of THC-infused products, which clearly favor Curaleaf and GTI as two of the more well-known MSOs in the U.S. Tilray revenues of $10 mm are expected to ramp over the

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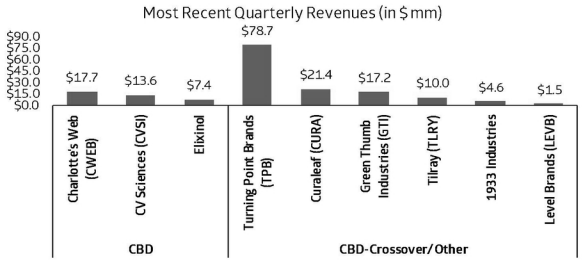
coming quarters, driven by adult use legalization in Canada. 1933 and Level Brands are smaller in scale but continue to post solid growth.

Figure 101 CWeb Leads Core CBD Companies; CBD Crossover Touches Multiple Industries

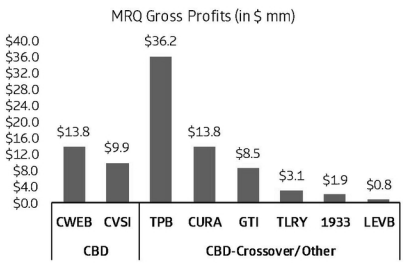


Note: 1933 = 1Q19 (ended 10/18), Level Brands = 4Q18 (ended 12/18), All others are 3Q18 (ended 9/18). AUD/USD = 0.72

Source: Company Reports and Cowen and Company

Nuances around different business models become increasingly apparent when benchmarking gross margins. Charlotte's Web and CV Sciences, which we would classify as finished goods producers, command the highest margins, while Turning Point Brands' unique positioning within OTP products generates margins lower than the level that would be seen for traditional cigarette companies. Core cannabis companies have to contend with being both vertically integrated and in many instances, servicing retail stores, which are lower margin.

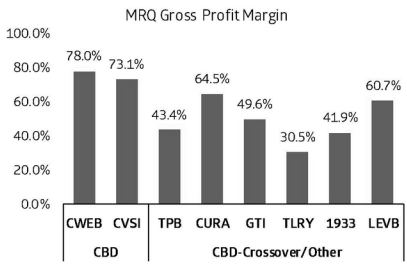
Figure 102 Finished Goods CBD Producers...



Note: 1933 = 1Q19 (ended 10/18), Level Brands = 4Q18 (ended 12/18), All others are 3Q18 (ended 9/18). AUD/USD = 0.72

Source: Company Reports and Cowen and Company

Figure 103 ...Command the Highest Gross Margin



Note: 1933 = 1Q19 (ended 10/18), Level Brands = 4Q18 (ended 12/18), All others are 3Q18 (ended 9/18). AUD/USD = 0.72

Source: Company Reports and Cowen and Company

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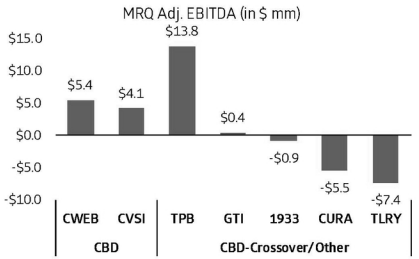
As evidenced by the above chart, in addition to offering very strong revenue growth prospects, CBD finished products are highly profitable. While it is still early days, both Charlotte's Web and CV Sciences are EBITDA positive, generating 30% margins in the most recent quarter, which is an encouraging sign. This intersects at a period where other companies across the broad cannabis landscape have been investing heavily in SG&A, which includes but is not limited to headcount increases and R&D.

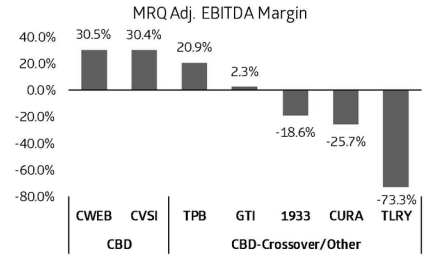
Figure 104 CWEB and CVSI Are Posting Strong EBITDA...



Note: 1933 = 1Q19 (ended 10/18) (ended 12/18), All others are 3Q18 (ended 9/18). AUD/USD = 0.72

Source: Company Reports and Cowen and Company

Figure 105 ...With Margins Exceeding 30%

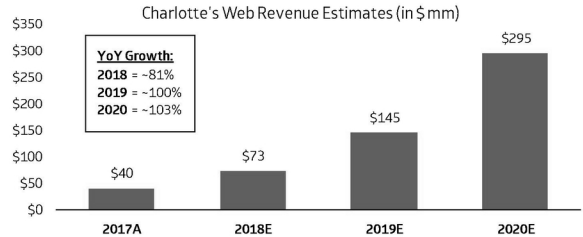


Note: 1933 = 1Q19 (ended 10/18) (ended 12/18), All others are 3Q18 (ended 9/18). AUD/USD = 0.72

Source: Company Reports and Cowen and Company

While Charlotte's Web generated 172% growth last year, we can see that sales are expected to remain robust. Charlotte's Web is guiding for 2018 revenues to be between $65-80 mm, which would represent ~81% growth at the midpoint of the range. For 2019, the company is guiding for $120-170 mm, which would represent 100% growth at the midpoint. Looking out to 2020, current consensus estimates of $295 mm would imply further robust growth at over 100%. With momentum in CBD expected to ramp on a go-forward basis, we would look for these more established, well capitalized companies such as Charlotte's Web, CV Sciences and Elixinol to consolidate market share in the form of distribution gains from new channels coming online as well as a from considerable amount of consolidation.

Figure 106 Charlotte's Web's Top-Line Outlook



Source: Company Reports, Bloomberg

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Private Companies

Botanica. Best known for its portfolio of adult use edible brands, which includes Spot, Journeyman and Mr. Moxey's Mints, Botanica recently launched a CBD only line of Mr Moxey's Mints, following the passage of the 2018 Farm Bill. The products are currently offered in the U.S. and the U.K. and are available in one package format consisting of 60 mints at 5 mgs per CBD each. In the U.S., the mints retail for ~$40 per tin and going forward, the company will look to come to market with smaller / lower priced offerings to help drive immediate point of sale consumption across brick and mortar retail locations. Over time, management forecasts that ~40% of sales will come from e-commerce, with the balance coming distribution.

GenCanna. Based in Kentucky, GenCanna is a cultivator of premium hemp-derived CBD. Additionally, the company offers whole-plant hemp extracts in the form of full spectrum or isolated crystalline cannabinoid CBD for wholesale, available to customers in the form of powders and oils and can be prepared as a proprietary water dispersible powder to support large scale manufacturing needs. Their powders have a CBD concentration of 99.5%+, which is isolated using CO2 extraction and crystal precipitation (as is their bulk oil). GenCanna also offers a full range of packaged goods including bottled oil drops, capsules and topical creams. All GenCanna products are produced in an FDA registered and inspected, food-grade, GMP-compliant facility and are tested by third parties for safety and quality. In November 2018, MariMed (MRMD, not covered) invested $30 mm in GenCanna, which established a long-term supply agreement whereby GenCanna became MariMed's global hemp CBD supplier.

Highline Wellness. Co-founded by former Cowen alum Chris Roth and his business partner Chris D'Alberti, Highline Wellness is a NYC-based CBD company currently offering tinctures, chews (gummies) and topicals (pain cream). Highline products are manufactured in Florida and the company sells direct-to-consumer. According to the company, this provides for competitive pricing relative to their peers (which we would classify as broadly mainstream). While still early days, Highline has an active presence on social media platforms including a loyal group of followers on Instagram, which has resulted in top line momentum to start off the year.

Lazarus Naturals. Launched in 2014, Lazarus Naturals is an Oregon-based CBD company, which offers products ranging from tinctures and capsules, to topical oils and balms as well as isolates. Lazarus is value priced across the competitive set with one of the lowest price/mg of CBD relative to the companies that we benchmarked against. The company offers 60% discounts to veterans, individuals on long-term disabilities as well as for low-income households. All sales primarily come from e-commerce and products are shipped to all 50 states across the U.S.

Lord Jones. Founded by Robert Rosenheck and Cindy Capobianco, Lord Jones manufactures and distributes super-premium CBD infused products. The company provides a broad array of product offerings, including tinctures, confections, capsules, and skincare, among others. Clearly catered towards the premium-end of the market, Lord Jones has announced several high-profile partnerships over the past couple of years which includes collaborating with Equinox, partnering with luxury hotel group, The Standard, and most recently, being the first CBD brand carried by Sephora.

Mary's. Founded in 2013, Mary's produces and sells cannabis and hemp-derived CBD products across three main segments, which include:

- **Mary's Medicinals.** Cannabinoid infused products for relief, available in 11 U.S. states.
- **Mary's Nutritionals.** Hemp-derived CBD products for health & wellness, sold in retailers and online in the U.S. and international markets

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- **Mary's Whole Pet.** Whole plant CBD remedies for pets, sold in retailers and online in the U.S. and international markets.

Mary's is a high-end brand, focused on clean delivery methods through its transdermal patches, topicals and patented gel pen technologies. In March 2018, Mary's Nutritionals was chosen as the preferred CBD vendor partner for all Ritz Carlton, Marriott, JW Marriott, W, and St. Regis Locations.

Mile High Labs. Based in Colorado, Mile High Labs is the largest extractor of CBD in the world. The company sources hemp from third party cultivation partners across four states, which include Colorado, Oregon, New York, and Kentucky. Mile High Labs extracts exclusively from industrial hemp flower material to create full spectrum extract, distillate and isolate. Their full spectrum extract contains a full range of CBD terpenes and over 60% CBD on average, making it useful for low concentration formulations in holistic and wellness applications, including tinctures and capsules. Mile High Labs distillate is refined using proprietary molecular distillation technology and contains ~85% CBD on average, making it ideal for vape pen cartridges, tinctures and other high potency formulations. The company's isolate contains ~99% CBD and is used as a main ingredient in bioceutical and nutritional product applications. Mile High offers end-to-end certified GMP hemp CBD manufacturing. In October 2018, Mile High Labs raised $35 mm in a Series A, which according to CEO Jason Roth represented a "record-breaking investment [which] is a reflection of the growth in demand for quality CBD products and Mile High Labs' unique ability to meet that demand." CFO Jonathan Hilley also recently noted that he believes "the CBD market is in the early stages of a 20-year secular growth trend."

Papa & Barkley. Papa & Barkley is based in California, with a diverse portfolio of products and lines. The company's *Releaf* line spans multiple form factors, including tinctures, capsules, patches, and balms, among others, which are comprised of different THC:CBD ratios. Papa & Barkley's *Essentials* line is specifically focused on CBD, and as it stands, they offer a tincture in both a 15 ml bottle (450 mg CBD) and 30 ml bottle (900 mg CBD) and will soon be rolling out capsules, as well as an extra strength pain balm. The company is only in California currently, but is looking at going to market in three other primary states, as well as three other secondary states.

Recess. Launched in October 2018, Recess is a wellness company currently specializing in beverages which are infused with full spectrum hemp extract. The company has positioned itself as a modern day lifestyle brand and daytime productivity enhancer that offers a universal message and idea instead of being anchored specifically to CBD. This strategy shares similarities with traditional CPG products, such as energy drinks and soda, which are not marketed for the active ingredient, but instead as the solution. While the current product portfolio includes sparkling beverages only, Recess plans on rolling out a plain water, as well as powders, which will cater to on-premise consumption occasions, such as coffee shops, juice shops and cocktail bars.

Reliva CBD Wellness. Reliva is a CBD-focused company, which form factors include tincures, shots, sprays, topicals, gummies, and pet care. The company is run by Miguel Martin, who previously served as the President and GM of Logic Technology Development, an e-cigarette manufacturer in the U.S. Reliva's products are focused on value from an absolute pricing perspective, as nothing sells for over $19.99 at retail. The company is unique insofar as they do not offer e-commerce, nor do they make and claims on efficacy or rely on testimonials or influencer marketing, which Martin believes will create a narrative on responsibility. Reliva focuses on independent c-stores and grocery channels and is expected to be in ~1,000 stores by the end of March, growing to 4,000-5,000 stores by the end of the summer with the goal of doubling that store count to ~10,000 locations by year-end.

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Health Care: Drug Retailer Perspective (Rhyee)

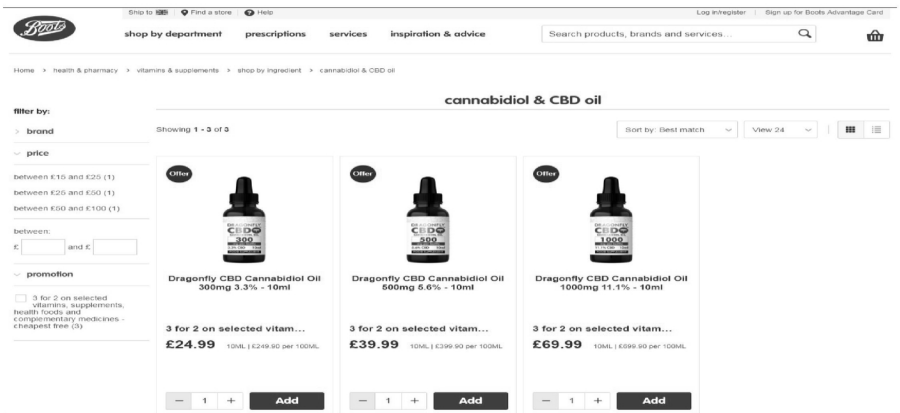
CBD Products Gaining Traction With Independent Pharmacies

CBD products appear to be gaining traction with independent pharmacies, many of whom are already selling or planning to sell CBD oils. We don't find this surprising given the high demand for and strong expected growth potential of CBD products, as well as the differentiation it affords independents relative to larger chain pharmacies. Independent pharmacies also likely find the high-margin profile of CBD oils attractive, which we suspect is similar to those of more traditional over-the-counter drugs. OTC drugs are a substantial profit driver for independent pharmacies. The greater acceptance of and improving sentiment towards CBD products as a viable business for independent pharmacies is evidenced by a panel held by the National Community Pharmacists Association (NCPA) at its annual convention in October 2018, which served to educate independent pharmacy owners of the legality, clinical uses, potential risks and marketing tactics of CBD oils. For those independent pharmacies that have decided to sell CBD oils, ensuring that they provide high-quality products is paramount, with a focus on looking at the bioavailability of CBD. Additionally, independent pharmacies emphasize the importance of patient education, in regards to treatment and potential side effects. Anecdotally, reports note that many independent pharmacies have received positive feedback from patients, attributing diminished opioid dependence and pain relief to CBD oils.

Large Pharmacy Chains Don't Appear As Quick To Offer CBD Oils

Large pharmacy chains, such as CVS Pharmacy and Walgreens, don't currently sell CBD oil. WBA management has noted that, while the company is monitoring the CBD market and the potential to sell it, WBA currently has no public stance on whether it plans to sell CBD products future. Interestingly, Boots, which is a pharmacy chain in the U.K. owned by WBA, sells CBD oil in three different doses (Figure 107). As such, we wouldn't be surprised if WBA decides to sell CBD products in the future.

Figure 107 Boots - Cannabidiol & CBD Oil Offerings



Source: Boots.com and Cowen and Company

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Health Care: Payor Perspective (Rhyee)

Based on our conversations with managed care companies, whether CBD oils will be covered as a medical benefit by government sponsored health programs is determined by the Center for Medicare and Medicaid Services (CMS) and state governments. Currently, CBD products aren't a covered benefit or an extra benefit that has been approved by CMS or states, and it isn't known at this time whether CMS or states governments are considering reimbursement for CBD products. That said, based on our discussions with a number of payors, if a state government were to provide reimbursement for CBD products under Medicaid, it would have to add CBD oils as a covered benefit under the state plan, which may or may not require CMS approval. We note that CMS and states do provide reimbursement for non-traditional treatments, if they determine that there's some benefit, such as issues around social determinants, As such, we see the potential for CBD oils to become a covered benefit under CMS, even without FDA approval.

On the commercial side of the market, payors we spoke with noted that CBD oils aren't eligible for coverage under commercial health plans because they're not regulated by the FDA. There are a couple of exceptions, such as GWPH's Epidiolex, which is a prescription pharmaceutical formulation of highly purified, plant-derived cannabidiol for the treatment of seizures associated with Lennox-Gastaut syndrome (LGS), or Dravet syndrome in patients two years of age or older. Epidiolex is covered by commercial insurance as it is an FDA approved drug. Payors noted three factors complicating commercial coverage of CBD oils, including (1) legal issues, as CBD oils derived from THC (cannabis) aren't legal if they contain equal to or more than 0.3% THC; (2) lack of regulation by the FDA; and (3) their availability as OTC medications.

Health Care: Provider Perspective (Rhyee)

The certified use of medical marijuana appears to be gaining acceptance by the provider community, as evidenced by the recent distribution of a memo by the chief physician executive of Intermountain Healthcare, Utah's largest health provider, to its network of providers that the health system is lifting its prior directive that advised physicians not to write letters recommending cannabis treatments. However, it's difficult to assess providers' stance on recommending the use of CBD oils. With greater clinical evidence supporting the efficacy in treating various conditions, we may very well see doctors recommend CBD oils as well, which some claim to be effective in treating loss of appetite in cancer patients, chronic pain, epilepsy, Huntington's disease, sleep disorders, multiple sclerosis symptoms, schizophrenia, and glaucoma.

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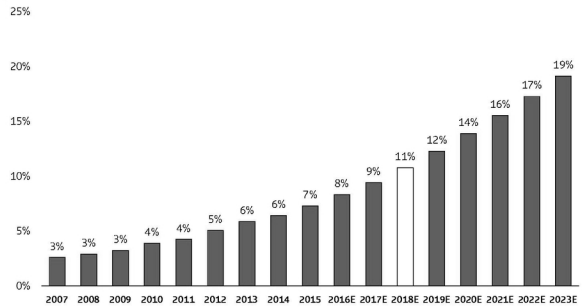
eCommerce To Be A Key Consumer Distribution Channel Long Term (Blackledge)

A significant portion of the CBD products that are currently available fall into the Personal Care / Beauty Products or Vitamins and Food Supplements verticals, both of which are part of the larger Consumables category. Consumables continues to be a highly under-penetrated eCommerce vertical in the midst of a progressive shift online, and we see an opportunity for these CBD companies to expand online as secular tailwinds continue to drive eCommerce growth for the larger Consumables market. For context, we forecast overall US Consumables eCommerce sales of $51BN in '18, or 11% eCommerce penetration, rising to $111BN in '23 or 19% eCommerce penetration.

Longer term, Consumables eCommerce market share, led by Amazon, should rise well above our 19% penetration forecast in '23, as the sector favors eCommerce vs. Brick & Mortar, for multiple reasons, namely (1) changing consumption trends, particularly with younger demographics, who would prefer to "Skip the Trip" for these high replenishment factor goods; and (2) rising smart speaker penetration, like AMZN's popular Echo device, driving gains in high replenishment re-ordering.

Figure 108 U.S. eCommerce Consumables Penetration '07-'23E



Source: Cowen and Company; U.S. Census Bureau

Due to the aforementioned macro factors, we view eCommerce as a major potential customer distribution channel for CBD longer term as consumers' spending habits continue to shift, and purchasing of Personal Care Products, Vitamins & Food Supplements and other Consumable items moves online at an accelerated rate. We expect growth within the Consumables (Personal Care, HH Goods, etc) and Food & Beverage verticals to consistently outpace overall eCommerce growth '18-'23, resulting in an increased share of U.S. eCommerce sales.

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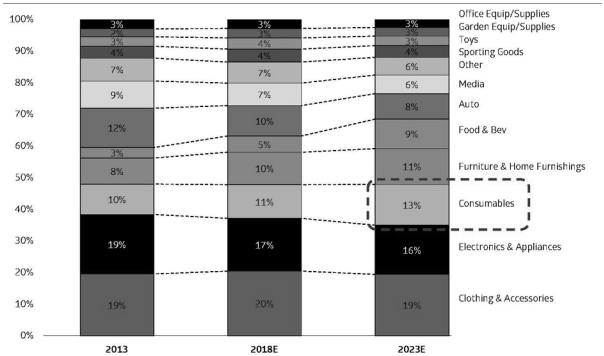
Figure 109 Share Of U.S. eCommerce Sales '13 vs. '18E vs. '23E



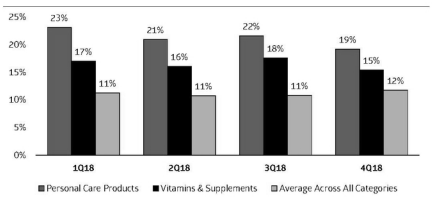
Source: Cowen and Company; U.S. Census Bureau

Analyzing Two Key Verticals for CBD Adoption

As part of our monthly survey of 2,500 US consumers, we ask Amazon.com purchasers to indicate which categories (out of a list of 30) they purchased on Amazon in the past 30 days. Our data shows that Personal Care Products and Vitamins & Supplements were more likely to be purchased (vs. the average across all categories) by both Prime and Non-Prime members throughout 2018.

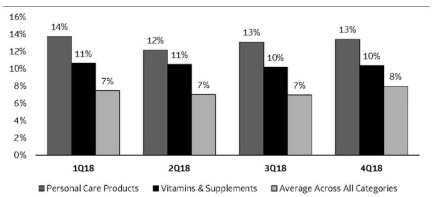
Taking a closer look at 4Q18, in each month (on average) 19% of all Amazon Prime Purchasers bought at least one personal care product and 15% purchased a Vitamin or Supplement, while the average purchase rate across all 30+ categories was only 12% of Prime purchasers. We noted a similar trend among Non-Prime Purchasers in 4Q18, with 13% who bought Personal Care Products and 10% who bought Vitamin or Supplements, compared to the average purchase rate across all categories of 8%.

Figure 110 Prime Member Purchaser % By Vertical, 1Q18-4Q18



Source: Cowen proprietary Consumer Internet Survey, n=~2500, Dec '18

Figure 111 Non-Prime Purchaser % By Vertical, 1Q18-4Q18



Source: Cowen proprietary Consumer Internet Survey, n=~2500, Dec '18

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Amazon Has A Modest But Expanding Physical Footprint

For CBD companies, expansion through Amazon's retail locations and more importantly Whole Foods' expanding retail footprint are also attractive avenues for reaching new customers (assuming CBD companies can convince Amazon and Whole Foods to carry their products). While we currently lack insight into when CBD products may become available in Whole Foods stores, or what a regional or national rollout might look like, below we analyze Amazon's physical footprint to highlight the potential for distribution.

Amazon's expanding physical footprint is made up of a small number of Go Stores, Amazon Fresh Grocery Pickup in Seattle, Amazon Branded Book Stores and most notably its Whole Foods Market business. Whole Foods is a health focused supermarket chain based out of Austin TX that operates ~470 US locations and was purchased by Amazon in Aug '17. Since acquiring Whole Foods, Amazon has deeply integrated it with the company's Prime offering. In combination with Amazon's Prime Now platform, Whole Foods is now offering 2-hour delivery on thousands of in-store items in 63 cities, which account for over 50% of the US population and over 2/3rds of US GDP. Whole Foods also offers curbside pickup in over 20 markets.

Figure 112 Amazon Prime Now & Same Day Delivery Top 50 US Metro Areas By 2017 GDP (%)

2017 GDP Rank	U.S. Metropolitan Areas	% of '17 US GDP	% of '17 US Population	Amazon Prime Now Available	Amazon Prime Free Same-Day Delivery	WFM Delivery via Prime Now
1	New York-Newark-Jersey City, NY-NJ-PA	9.8%	6.2%	✓	✓	✓
2	Los Angeles-Long Beach-Anaheim, CA	5.9%	4.1%	✓	✓	✓
3	Chicago-Naperville-Elgin, IL-IN-WI	3.9%	2.9%	✓	✓	✓
4	Dallas-Fort Worth-Arlington, TX	3.1%	2.0%	✓	✓	✓
5	Washington-Arlington-Alexandria, DC-VA-MD-WV	3.0%	1.9%	✓	✓	✓
6	San Francisco-Oakland-Hayward, CA	2.9%	2.2%	✓	✓	✓
7	Houston-The Woodlands-Sugar Land, TX	2.8%	1.4%	✓	✓	✓
8	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	2.5%	1.9%	✓	✓	✓
9	Boston-Cambridge-Newton, MA-NH	2.5%	1.5%	✓	✓	✓
10	Atlanta-Sandy Springs-Roswell, GA	2.2%	1.7%	✓	✓	✓
11	Seattle-Tacoma-Bellevue, WA	2.0%	1.6%	✓	✓	✓
12	Miami-Fort Lauderdale-West Palm Beach, FL	2.0%	1.1%	✓	✓	✓
13	San Jose-Sunnyvale-Santa Clara, CA	1.6%	1.1%	✓	✓	
14	Detroit-Warren-Dearborn, MI	1.5%	1.3%			✓
15	Minneapolis-St. Paul-Bloomington, MN-WI	1.5%	0.6%	✓	✓	✓
16	Phoenix-Mesa-Scottsdale, AZ	1.4%	1.0%	✓	✓	✓
17	San Diego-Carlsbad, CA	1.3%	1.4%	✓	✓	✓
18	Denver-Aurora-Lakewood, CO	1.2%	0.9%	✓	✓	✓
19	Baltimore-Columbia-Towson, MD	1.1%	0.9%	✓	✓	✓
20	Charlotte-Concord-Gastonia, NC-SC	1.0%	0.7%	✓	✓	✓
21	Portland-Vancouver-Hillsboro, OR-WA	1.0%	0.9%	✓	✓	✓
22	St. Louis, MO-IL	0.9%	0.7%			✓
23	Riverside-San Bernardino-Ontario, CA	0.9%	1.4%		✓	
24	Austin-Round Rock, TX	0.8%	0.7%	✓	✓	✓
25	Pittsburgh, PA	0.8%	0.6%			✓
26	Tampa-St. Petersburg-Clearwater, FL	0.8%	0.9%	✓	✓	✓
27	Indianapolis-Carmel-Anderson, IN	0.8%	0.6%	✓	✓	✓
28	Cleveland-Elyria, OH	0.8%	0.7%		✓	✓
29	Cincinnati, OH-KY-IN	0.8%	0.6%	✓	✓	✓
30	Columbus, OH	0.8%	0.6%	✓	✓	✓
31	Nashville-Davidson--Murfreesboro--Franklin, TN	0.8%	0.7%	✓	✓	✓
32	Orlando-Kissimmee-Sanford, FL	0.8%	0.6%	✓	✓	✓
33	Kansas City, MO-KS	0.7%	0.7%		✓	✓
34	San Antonio-New Braunfels, TX	0.7%	0.6%	✓	✓	✓
35	Sacramento--Roseville--Arden-Arcade, CA	0.7%	0.7%	✓	✓	✓
36	Las Vegas-Henderson-Paradise, NV	0.6%	0.6%	✓	✓	✓
37	Milwaukee-Waukesha-West Allis, WI	0.6%	0.5%	✓	✓	✓
38	Bridgeport-Stamford-Norwalk, CT	0.6%	0.3%			
39	Virginia Beach-Norfolk-Newport News, VA-NC	0.5%	0.5%	✓		✓
40	Hartford-West Hartford-East Hartford, CT	0.5%	0.4%			✓
41	Salt Lake City, UT	0.5%	0.4%		✓	✓
42	Raleigh, NC	0.5%	0.5%	✓	✓	✓
43	Providence-Warwick, RI-MA	0.5%	0.4%			✓
44	Richmond, VA	0.5%	0.4%	✓	✓	✓
45	New Orleans-Metairie, LA	0.5%	0.4%			✓
46	Jacksonville, FL	0.4%	0.4%		✓	✓
47	Louisville/Jefferson County, KY-IN	0.4%	0.4%		✓	✓
48	Oklahoma City, OK	0.4%	0.4%		✓	✓
49	Memphis, TN-MS-AR	0.4%	0.4%			✓
50	Urban Honolulu, HI	0.4%	0.4%			
	Total	**72.6%**	**54.0%**	**34**	**40**	**46**
	Amazon Prime Now Markets	**62.3%**	**44.8%**			
	Amazon Same Day Delivery Markets	**66.0%**	**48.6%**			
	Whole Foods Delivery via Prime Now Markets	**69.2%**	**50.9%**			

Source: Company reports, Cowen and Company, US Bureau of Economic Analysis

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Competition From AMZN Private Label Could Be A LT Concern, Offset By CBD's Established Brands

Should the market for CBD products expand rapidly over the next several years, one source for increased competition could be Amazon's own first party (private label) business. Amazon offers private label goods across the gamut of product verticals, including consumables and vitamins.

Per industry participants that have discussed AMZN's private label business with us, Amazon's approach is similar across most new product lines, most notably that the company is now focusing less on heavy discounting to take share from competition. By contrast, we believe that while any foray into CBD could start with a big push by AMZN to gain share, if sales and reviews aren't working, AMZN would likely reduce resources quickly. Additionally, Amazon Private Label tends to replicate top sellers for goods that are high replenishment, commodity-type products with undifferentiated branding, then add secondary brands over time. Amazon private label has in some cases captured huge market share early (anywhere from 25-40% market share by SKU within the first six months).

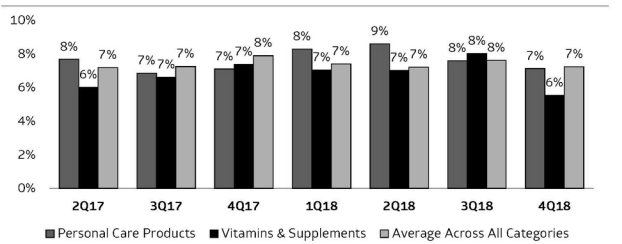
AMZN also tends to have the most success in verticals where branding is less important (a fact that could provide an advantage to more established CBD companies). The widespread availability and acceptance by a retailer such as Amazon could also help to drive mainstream adoption of CBD products and thus provide a benefit for the industry as a whole.

Other Potential Platforms: EBAY Has The Reach To Make An Impact

There are other platforms that may be easier to break into than Amazon that would also provide an avenue to reach a wide array of consumers. Ebay could be an alternative for CBD companies to tap into. EBAY has been losing share in eCommerce over the last several years, and developing a leading marketplace in a new product vertical such as CBD products could be an incentive to become an early adopter. Ebay currently has 179MM active buyers on the platform worldwide, and the company generated over $90BN in GMV in 2018.

Our survey indicates that unlike Amazon, EBAY has had less success in driving consistent purchasing in areas like personal care and beauty as well as in vitamins and supplements. Our data suggests that unlike Amazon, these two key verticals are purchased at about the same rate as any other category, which suggests that there is an opportunity for these verticals to grow meaningfully, in our view.

Figure 113 EBAY Purchaser % By Vertical, 2Q17-4Q18



Source: Cowen proprietary Consumer Internet Survey, n=~2500, Dec '18

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Cannabidiol (CBD) Entrance Into Mass Retail May Start In Beauty Before Entering Broadlines (Chen)

Cowen's take is that first movers may predominantly consist of independent operators, followed by beauty, convenience, and other major chains. We believe that growth could take on a barbell dynamic, with early adopters being both high-end luxury players alongside lower-end local convenience shops, with middle-ground retailers including WMT, TGT, and COST likely being the last to sell CBD products after a test-and-learn phase is observed among the early adopters. We expect that CBD in beauty could be a ~$1bn opportunity within skincare specifically; the skincare category currently comprises ~23% of the overall $87bn beauty products market.

Luxury Department Stores Are Early Adopters. A number of independent retail operators have recently announced plans to expand their physical presence to incorporate CBD. For example, luxury department store Barneys New York is adding a 300-square-foot cannabis store-within-store concept called "The High End" to its flagship store in Beverly Hills, where it will sell CBD beauty products and vintage paraphernalia. Neiman Marcus also announced its "Trending Beauty" initiative, which includes carrying leading CBD brands (5 SKUs) online and within 5 of its 44 stores.

Another example is Green Growth Brands (CSE: GGB, not covered) recently announcing a deal with DSW Inc. (DSW, not covered) to sell its Seventh Sense brand within 96 US-based DSW stores; this announcement comes after a 10-week trial phase where 74.4% of product presented on shelves was reportedly sold. GGB also announced it will open 108 stores within Simon Property malls (SPG, not covered), starting in March 2019.

Beauty Could Be First Major Distribution Channel. Cowen believes that the future of beauty will increasingly emphasize clean, natural ingredients within products – in line with the broader health and wellness movement that is permeating into various other retail verticals. Therefore, we believe that beauty could be the first major distribution channel to adopt CBD given the compound's properties as a natural remedy to manage pain, inflammation, and anxiety.

Sephora.com currently carries 3 SKUs with CBD dosages (Lord Jones and Josie Maran), and a variety of hemp-based products. Meanwhile, ULTA only has hemp-based offerings but could adopt a comparable line to Sephora within its Prestige assortment. Average Unit Retail (AUR) for the three Sephora CBD SKUs is ~$70, or $1.85/mL, which supports our view that adopters will skew toward Prestige-cosmetics-oriented retailers such as specialty beauty players (Sephora, ULTA) and department stores (JWN, M), before Mass cosmetics carriers like grocery stores, pharmacies or broadline retailers adopt it, as price points are closer to $10/SKU.

Historically, broadline retailers, including WMT, TGT, and COST have shied away from entering controversial categories in their earlier innings, preferring to be last movers and not create controversies. We do note, TGT has previously made small inroads into CBD. According to AdAge, TGT briefly sold hemp and CBD oils in late 2017 before pulling all the products. Also, we note, WMT's website does sell several hemp oil products.

Figure 114 CBD Presence Is Limited In Mass Retail Outlets

	Broadline			Beauty		Pharmacy/Mass	
	WMT	TGT	COST	ULTA	Sephora (LVMH)	CVS	WBA
Carry CBD Products	✗	✗	✗	✗	✓	✗	✗
Carry Hemp Seed Products	✓	✗	✗	✓	✓	✓	✗
CBD SKU Count	n/a	n/a	n/a	n/a	3	n/a	n/a

Note: CVS and WBA are covered by Charles Rhyee

Source: Cowen and Company, company websites; Note: Search "CBD oil, CBD, Cannabis, Cannabis Oil"

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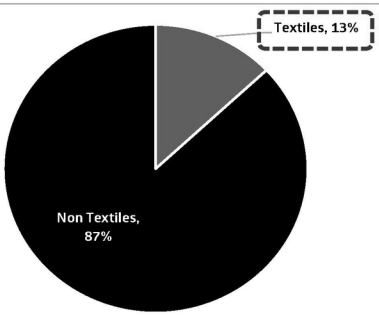
Growing Application For Hemp And CBD Within The Apparel & Footwear Market (Kernan)

With the changing tide on marijuana legalization and hemp cultivation, the use case for and interest in CBD applications are rapidly expanding. We think there lies within this fervor potential for greater utilization of hemp derived textiles in apparel, footwear and accessories after largely being relegated to specialist brands with a few exceptions. The Western Producer, a Western Canada weekly agriculture publication, commented that "industrial hemp could reach whole crop utilization" in an article published on 1/10/19 "Revenue Streams Expand For Hemp Growers." We think this compliments the sustainability movement that is gaining ground in global apparel and footwear production and among Millennial and Gen Z consumers. Western Producer quotes Jan Slaski, senior researcher for InnoTech Alberta, that "textile applications have brought [about] the development of hemp-based uniforms, socks, underwear and other apparel..." as its properties, which Patagonia describes as "linen-like," provide a "quality suitable for fine textiles."

Approximately $820MM worth of legal hemp products were sold in the U.S. in 2017 and roughly 13% of those hemp-based products are textiles according to Entrepreneur's 9/4/18 article, "The Hemp Business Is Booming." The article's author Rose Leadem cites a history of the crop dating back "to the 1600s when growing hemp was encouraged for use in sails, ropes and clothing." This period was followed by years of back and forth regulation that alternately banned and unbanned hemp cultivation in the U.S. While the 2014 U.S. Farm Bill allowed for heavily restricted industrial hemp cultivation, the more recent 2018 U.S. Farm Bill, as described by the Brookings Instituted, offers a more "expansive" cultivation of hemp.

Figure 115 Textiles Have Low Penetration Among Legal U.S. Hemp Products (2017)



Source: Cowen and Company; Western Producer

To frame the market opportunity for greater hemp utilization as a textile in apparel and footwear from what is likely a nascent penetration currently, the U.S. clothing and accessories market reached store sales of $262 billion in 2017 as reported by the U.S. government, with potential to grow to $275B in 2018. We note that there are some global brands that offer hemp fiber, mostly but not all on a limited basis, in their clothing and footwear assortment. These brands include Patagonia, Columbia Sportswear's prAna brand, Orvis, Thought Clothing, Toad&Co, Jungmaven, Eartheasy, Sanuk, Toms,

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Adidas and Nau. Nike offered a hemp-based SB Dunk Low sneaker in 2004, re-issuing the shoe in 2016 around Earth Day. Patagonia, a $1B global brand that encompasses a focus on the environment and social responsibility in its mission statement, views hemp as a "natural fiber that's cultivated with low impact on the environment." The brand's assortment includes some hemp-based products made with 100% hemp, which it imports from China, or blended with other fibers like recycled polyester, organic cotton, and spandex.

Figure 116 Patagonia Iron Forge Hemp Canvas Ranch Jacket (55% Hemp)

Source: www.patagonia.com

Figure 117 prAna Sharla Sweater (55% Hemp)

Source: www.prana.com

Figure 118 Men's (Hemp upper)

Source: www.sanku.com

There is also a growing market for apparel and footwear that provide recovery attributes. For example, Under Armour has its Recovery line of apparel that includes Celliant which is designed to "capture body heat and convert it to infrared light that is returned to your body, boosting localized blood flow and upping the amount of oxygen reaching your muscles." Celliant is described as "utilizing a proprietary mineral matrix that can be embedded into the core of a yarn or applied to a wide variety of fabrics." This demonstrates the ability to weave outside attributes into existing textiles to add beneficial components beyond just providing an item of clothing. With CBD being reported as having health and wellness properties, such as to combat inflammation, there could be potential for CBD to be infused into textiles. Canada's *Fashion* magazine recently highlighted Devan Chemicals in its 1/4/19 article, "CBD Is Everywhere. Will CBC-Infused Clothing Be Next?" Devan Chemicals is a Belgium-based company that has "added CBD to their textile solutions portfolio." The company's "R Vital" fabric reflects a weave of microcapsules of CBD that release when a person wears the clothing as demonstrated in their website's flow chart below. While still early stage, perhaps there will be demand for widescale CBD infused textiles, although, as the article points out, it is unclear how the "potency" holds up over time and after washing.

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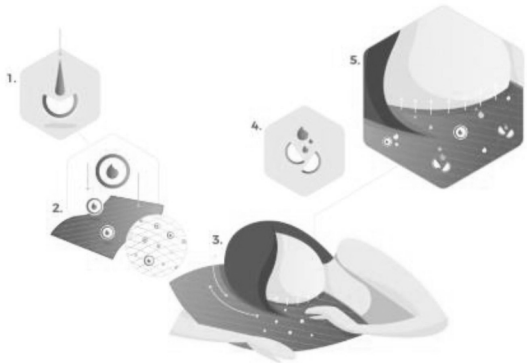
Figure 119 Devan Chemical's R-Vital – Flow Chart For A CBD-Infused Textile



Source: Cowen and Company; Devan Chemical

Tilray And ABG Sign Partnership

Privately held Authentic Brands Group (ABG) recently signed a deal with Tilray to capitalize on the general wellness capabilities of CBD. ABG's product portfolio includes athletic based names such as Muhammad Ali, Shaquille O'Neal, Dr. J, Nautica and Prince. The muscle recovery and wellness capabilities of CBD create branding opportunities within these brands. CBD oil also has wellness characteristics beneficial for skin care products. ABG's Nine West Brand will offer wellness products containing CBD powered by Tilray.

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Figure 120 Nine West Products Powered By Tilray

Source: Cowen and Company; Sourcingjournal.com

Tilray will also gain exposure to ABG's 150MM followers through its micro-influencer network, Winston. Tilray will have the ability to display its name on ABG cannabis products. Tilray will initially pay ABG $100MM and up to $250MM in cash in stock. In return ABG will pay TLRY 49% of revenues from any cannabis products with any ABG brand name, with a minimum of $10MM/year for 10 years, essentially guaranteeing TLRY will receive a return on its initial $100MM investment. This type of deal opens the door for CBD products to partner with IP ownership to expand brands and CBD use partnerships.

DSW And Green Growth Brands

Green Growth Brands' CBD infused Seventh Sense products, including foot creams and muscle balms, will be sold at 96 DSW stores nationwide out of DSW's 500-store base. As the sale of CBD wellness products become widely acceptable and stigma around once illegal products subsides, opportunity should increase to move into other nationwide retailers. Under our coverage universe, Dick's Sporting Goods may have the potential to offer wellness products containing CBD. DKS has a total of 864 stores nationwide. If DKS were to offer products in a similar percentage of stores as DSW, this would provide 166 incremental distribution points for CBD wellness products.

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We Would Expect Starbucks To Be First Under Our Active Coverage To Pilot CBD Oil, Though Not In Near Term Plan (Charles)

Under our active coverage, we would categorize Starbucks as the most forward thinking with beverage innovation relative to Dunkin', Tim Hortons and McDonald's McCafe. Starbucks has launched matcha and nitro cold brew on a widespread basis in recent years, among other wellness-based offerings. During an interview with CNBC last month, Starbucks CEO Kevin Johnson cited no plans to introduce CBD-based beverages in the near term, but did not dismiss the notion of ultimately piloting the ingredient.

Despite early traction with craft/independent coffee shops, regulators in several states recently banned CBD as an additive. The dynamics are fluid, likely delaying adoption from major coffee players like Starbucks in the near term. That said, we acknowledge a longer-term opportunity if coffee shops are able to properly measure and disclose the CBD levels in their coffee, as bottled CBD beverages that disclose CBD oil levels in packaging are not restricted under the current ban.

Should the regulation of CBD oil as an additive to food/beverage change or craft/independent coffee shops find a way to comply with the existing regulation, we could envision Starbucks ultimately piloting the ingredient. We believe Starbucks would need to better understand the science behind the ingredient, in addition to the standard evaluation of any new SKU around supply chain availability as well as meeting Starbucks' high speed of service standards. Furthermore, given Starbucks' heavy reliance on the drive-thru business at more than 50% of sales and 80%+ of ongoing development, SBUX would need to gain clarity around potential liability this entails around selling cannabis-infused beverages before introduction. We note in 2010, Starbucks launched an Evenings program that sold beer and wine inside of participating restaurants. The initiative ultimately scaled to over 400 locations before the program was terminated in 2017.

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Regulatory Considerations For CBD (Assaraf – Washington Research Group)

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2018 Farm Bill

The Agricultural Improvement Act of 2018 (also known as the 2018 Farm Bill) was signed into law by President Donald Trump on Dec. 20, 2018. The main CBD-related changes in the law are that it: 1) declassifies industrial hemp as a Schedule I substance under the Controlled Substances Act, 2) shifts regulatory authority over hemp from the Drug Enforcement Administration to the Department of Agriculture, and 3) provides autonomy for states to regulate the industry.

However, the 2018 Farm bill does not change the FDA's oversight authority over CBD products intended for human consumption. The statutory language emphasizes that "nothing in this subtitle shall affect or modify … the authority of the Commissioner of Food and Drugs … under the Federal Food, Drug, and Cosmetic Act [FDCA] … to promulgate Federal regulations and guidelines that relate to the production of hemp."

FDA Implications

FDA Commissioner Scott Gottlieb issued a statement and FAQ immediately following the signing of the 2018 Farm Bill, essentially reminding CBD manufacturers of FDA's continued regulatory authority over CBD products.

On the positive side, Gottlieb indicated that the FDA is open to engaging with industry players early to clarify uncertainty and to help develop a clear and consistent pathway for bringing legal CBD products to market. To that end, the FDA intends to hold a public meeting "in the near future" to gather stakeholder input on CBD products, including the perspectives of consumers and manufacturers. The FDA will use this meeting to inform an "efficient regulatory framework for allowing product developers that meet the requirements under [FDA] authorities to lawfully market these types of products."

On the other hand, Commissioner Gottlieb expressed concern over the proliferation of CBD products making drug claims. According to Gottlieb, "the FDA requires a cannabis product (hemp-derived or otherwise) that is marketed with a claim of therapeutic benefit, or with any other disease claim, to be approved by the FDA for its intended use before it may be introduced into interstate commerce. This is the same standard to which we hold any product marketed as a drug for human or animal use. Cannabis and cannabis-derived products claiming in their marketing and promotional materials that they're intended for use in the diagnosis, cure, mitigation, treatment, or prevention of diseases (such as cancer, Alzheimer's disease, psychiatric disorders and diabetes) are considered new drugs or new animal drugs and must go through the FDA drug approval process for human or animal use before they are marketed in the U.S."

Even before the passage of the Farm Bill, the FDA has kept a close watch on certain health claims being made by CBD manufacturers. A simple web search on the FDA's website turns up dozens of previous warning letters to CBD manufacturers making such claims (see below for links to FDA warning letters). According to Gottlieb, "the FDA will continue to evaluate and take action against products that are being unlawfully marketed and create risks for consumers."

In his statement, Gottlieb also presented the following warning for CBD additives to food and beverages:

"Additionally, it's unlawful under the FD&C Act to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products as, or in, dietary

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supplements, regardless of whether the substances are hemp-derived. This is because both CBD and THC are active ingredients in FDA-approved drugs and were the subject of substantial clinical investigations before they were marketed as foods or dietary supplements. Under the FD&C Act, it's illegal to introduce drug ingredients like these into the food supply, or to market them as dietary supplements. This is a requirement that we apply across the board to food products that contain substances that are active ingredients in any drug."

In response to Gottlieb's statement, Sens. Ron Wyden (D-Ore.) and Jeff Merkley (D-Ore.) sent a letter to the FDA on Jan. 15 urging the agency to update federal regulations governing the use and interstate sale of certain hemp-derived ingredients in food, beverages or dietary supplements. The two senators, who authored the 2018 Farm Bill's Hemp Farming Act provision, indicated that it was "Congress' intent to ensure that both U.S. producers and consumers have access to a full range of hemp-derived products, including hemp-derived cannabinoids." They requested feedback from FDA within 30 days on the agency's specific plans regarding implementation of the 2018 Farm Bill.

Sample Of FDA Warning Letters On CBD Products:

https://www.fda.gov/ICECI/EnforcementActions/WarningLetters/ucm616278.htm

https://www.fda.gov/ICECI/EnforcementActions/WarningLetters/2017/ucm583192.htm

https://www.fda.gov/ICECI/EnforcementActions/WarningLetters/2017/ucm583197.htm

Notable State-Level Events

California

California has historically been more aligned with the FDA's stance that industrial hemp-derived CBD cannot be used in food or dietary supplements. However, that state does permit the sale of food products with cannabis-derived CBD in licensed dispensaries. The Food and Drug Branch of California Department of Public Health (CDPH) issued an updated FAQ on CBD in food products in July 2018 indicating that its definition of "food" does not include cannabis products like edibles, which are legal in California. CDPH also technically bans the sale of CBD oil outside of licensed cannabis retailers, though it isn't always enforced.

Separately, California Governor Jerry Brown signed a law in late September 2018 (Assembly Bill 2914) that bans the addition of CBD or THC to any cocktail at a public establishment. The new law "prohibit[s] an alcoholic beverage licensee from, at its licensed premises, selling, offering, or providing cannabis or cannabis products, including an alcoholic beverage that contains cannabis or cannabis products, and would provide that no alcoholic beverage shall be manufactured, sold, or offered for sale if it contains tetrahydrocannabinol or cannabinoids, regardless of source."

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Maine

Despite being one of 10 states to legalize marijuana for recreational use, health officials in Maine recently ordered businesses in the state to remove CBD-infused edibles from store shelves according to an article in the *Portland Press Herald*. Similar to California, the Maine Department of Health and Human Services appears to be following the FDA's lead in determining that CBD is an unapproved food additive.

State health inspectors in Maine have reportedly told businesses to remove "all foods, tinctures and capsules" containing CBD from their shelves; however, business owners can still sell "CBD products that can be smoked, vaped, worn as a patch or applied as a lotion, and all medical marijuana patients can still buy oral CBDs from licensed caregivers or dispensaries."

New York

In response to the 2018 Farm Bill, the New York State Department of Agriculture and Markets issued a FAQ dated Dec. 18, 2018 on the manufacture and sale of hemp-derived CBD products. The department indicates that its current guidance is subject to change and that it will likely be issuing additional regulations as the industry evolves.

The FAQ suggests that New York will allow the sale of CBD products sold as a topical or dietary supplement (pill or tincture), the latter of which runs counter to FDA's current position. However, the guidance appears to restrict CBD products for vaping/inhalation.

Additionally, New York will require licensure and prior written approval to produce and sell certain food and beverages under the New York State Industrial Hemp Research Pilot Program. Licensees under the program can sell products that are "(1) listed in your Research Plan and (2) produced in a facility meeting dietary-supplement GMP standards and (3) properly labeled and packaged for sale pursuant to FDA regulations for dietary supplements, and (4) in compliance with all provisions of the Research Partner Agreement."

Otherwise, New York will restrict the manufacture and sale of ready-to-eat food and beverage products with added CBD infusions or CBD extracts and lists products such as "CBD chocolate syrup, CBD soda, and CBD-infused frosting drizzled cookies." In early February, the *New York Times* reported that the New York Department of Health and Mental Hygiene was beginning to more aggressively enforce this restriction in New York City restaurants and eateries.

North Carolina

The North Carolina Department of Agriculture and Consumer Services recently announced its intent to issue warning letters to manufacturers and retailers who sell products containing CBD oil in the state. According to a Feb 8 press release, North Carolina will follow current federal laws, meaning that "CBD cannot legally be added to any human food or animal feed that is for sale," as CBD is the active ingredient in an FDA-approved therapy and cannot be considered a dietary supplement.

North Carolina intends to take an "educate before regulate stance with industry," according to the release. However, the state will "reserve the right to be more assertive" to ensure consumer health and safety, likely meaning product embargoes and seizures.

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Ohio

State and local health officials in Ohio have also begun cracking down on retailers selling CBD products, according to a recent report from the *Cincinnati Enquirer*. The Ohio Department of Agriculture is reportedly ordering the "embargo" of products containing CBD, which has forced some businesses to remove products from store shelves.

Like most states, Ohio has not yet set up regulations for hemp, which the 2018 Farm Bill requires from each state before the manufacture and sale of certain hemp-derived products. In the meantime, CBD sales are technically limited to one of the Ohio's 56 licensed dispensaries, under the state's medical marijuana program.

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Global CBD Landscape (Azer)

International Drug Conventions (UN)

There are three international conventions that are core to the drug control system: (1) 1961 Single Convention on Narcotic Drugs, (2) 1971 Single Convention on Psychotropic Substances and (3) 1988 Single Convention Against Illicit Traffic in Narcotic Drugs and Psychoactive Substances.

Under the 1961 Convention, cannabis extracts and tinctures are currently classified as Schedule I substances based on high abuse and dependence potential. Resin and herbal cannabis are classified as Schedule IV, the most prohibitive category, including dangerous substances that have little to no medical benefits. THC is classified as a Schedule II substance in the 1971 Convention. CBD does not currently have its own scheduled class in the Conventions. Based on recent recommendations from the World Health Organization (WHO), these classifications are likely to change in the short term.

Although the cannabis plant, as a whole, is scheduled under the conventions, there is not a distinct separation between marijuana and hemp at the moment. However, there is an exemption in the conventions for industrial uses of hemp, permitted there is no potential for abuse. The language in the treaties is vague and has allowed member states to interpret the conventions in a way that permits the use of hemp to fit their national legislation. This is a principle based on the practice of "good faith."

Cannabis Recommendations (WHO)

Beginning in November 2017, CBD was subject to its first pre-critical review conducted by the WHO at the 39th meeting of the Expert Committee on Drug Dependence (ECDD). Following the critical review of CBD at the ECDD's 40th meeting, it was recommended that "pure CBD should not be scheduled in the International Drug Control Conventions." Further clarifications were recently added outlining that CBD preparations containing less than 0.2% THC should be removed from the drug conventions. The clarification does not specifically mention the difference between CBD preparations derived from hemp or marijuana. This outcome is based on expert consultations that found that CBD has no potential for abuse or dependence. CBD will be the first cannabinoid not controlled under international law.

The WHO also recommended that THC be removed from the 1971 Convention and listed under Schedule I. Similarly, it recommended that herbal cannabis and resin remain under Schedule I and removed from Schedule IV of the 1961 Convention. Extracts and tinctures were also recommended to be removed from Schedule I. This marks a historic decision because this was the first time cannabis has ever been subject to a critical review conducted by the WHO.

In March 2019, the Commission on Narcotic Drugs, comprised of 53 countries, will vote on the WHO's recommendations to schedule substances. A simple majority is required. However, it is uncertain whether the member states will vote on cannabis and its derivatives since the WHO delayed the announcement of the recommendation by two months. This may postpone the vote until 2020.

When the vote is passed to remove pure CBD and CBD preparations, countries that permit the use of pure CBD and preparations of CBD will not be in violation of any international treaties. Although countries would no longer be obliged to enforce any control on CBD, national jurisdictions may still implement measures to regulate or prohibit CBD use.

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European Landscape

European Parliament Resolution

In February 2019, the European Parliament passed a significant resolution to create harmonized policies and standardized practices for medical cannabis products in the EU. The Parliament stressed the importance of conducting clinical trials, which requires a formal assessment of socio-economic and regulatory barriers that have prohibited access to research in the past. This is not a legislative, binding resolution; the European Commission will need to consider a regulatory framework that permits access and availability to cannabis medicine, therapies and scientific studies.

The European Parliament explicitly stated support for the WHO's recommendations to institutionalize the medical and scientific uses of cannabis. Having these two international institutions aligned on standardizing medical cannabis policies will facilitate support for interstate agreements and trade, and paves way for rapid legislative change and growth.

EU Standards And Regulations

There is not a supranational regulatory framework for cannabis in the EU. However, general standards, such as Good Manufacturing Practice (GMP), Good Agricultural and Collection Practice and Good Distribution Practice, are now significant for cannabis compliance. Licenses and authorization must be obtained for certification. This is especially required for pharmaceutical grade cannabis, which is why many Canadian LPs can export to Europe and made investments to build GMP-certified facilities. Although not necessary for non-prescribed cannabis, products with GMP-certification have trusted quality recognition across the EU.

In the EU, the legal limit for THC content is less than 0.2%, in comparison to North America where it is less than 0.3% THC. There are some disparities across the continent with higher margins in Italy (up to 0.6%) and various import requirements country to country. Outside of the EU, Switzerland permits up to 1% THC content, which is treated as a tobacco substitute.

EU Novel Food

Recently, CBD has been added to the European Union's (EU) Novel Food Catalogue. Foodstuff may be supplements, ingredients or other substance forms. A "novel" food is a product not previously consumed in the EU, to a significant degree, prior to May 15, 1997, such as for example, foods that enter the market through new technology or agricultural products normally consumed and grown outside of the EU (e.g. chia seeds, vitamin K, UV treated food).

Amendments to the Catalogue occur frequently and provide a regulatory framework for EU Member States (MS) to follow. Some MS (i.e. UK, France, Germany, Italy, and Holland) requested to update the catalogue with CBD and hemp-derived products. The European Food Safety Authority (EFSA) is now conducting a risk assessment for CBD. This categorization includes pure CBD extracts and products that contain CBD extracts. The EFSA's assessment is limited to a daily intake of 130 milligrams. The outcome of the review is expected in March 2019. By October 2019, the European Commission will release a draft act to authorize CBD in the updated Catalogue.

While the EFSA assesses CBD, some countries have already banned the sale of CBD and removed product from the shelves (e.g. France, Austria). MS may have their national food or health agencies provide further guidance for CBD products and preparations. Obtaining authorization for CBD and hemp-derived products (e.g. tinctures, edibles,

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beverages) will be imperative. This regulatory framework does not affect skincare, cosmetics or topicals with CBD or hemp ingredients.

Europe

UK

The UK legalized prescription based medical cannabis in November 2018. Medical cannabis treatments that are advertised with specific medical claims must obtain authorization from the Medicines and Healthcare Regulatory Agency (MHRA). Currently, licensed medical cannabis products are Sativex, Dronabinol and Nabilone. Epidiolex, medical grade pure CBD produced by British pharmaceutical company, GW Pharmaceuticals, is undergoing the licensing process. "Unlicensed" products may be able to be obtained, such as products from Tilray or Bedrocan, under special circumstances which are unmet by other licensed products. Canopy and Aurora announced at the beginning of 2019 that it plans to export to the UK later this year. Despite changes in legality, the number of patients who have been prescribed medical cannabis treatments is quite limited.

While pharmaceutical grade products are difficult to obtain, CBD products are widely available across the UK. Pure CBD is not a controlled substance under the Misuse of Drugs Act 1971. Therefore, as long as CBD products are not authorized by the MHRA, medical claims on labeling and packaging cannot be made. There are also no enforced regulations for testing or packaging. These loopholes in the legislation have led to an increasing number of CBD products marketed as health supplements or wellness products. Due to the growing trend, CBD products have been widely available across the UK, primarily sold in boutique shops, cafes, health stores and online. Holland and Barrett, a health foods store, was the first High Street store to carry CBD products in 2017. Other mainstream outlets now sell hemp-based beauty products, CBD tinctures, edibles, vapes, e-liquids and other forms of the substance. A handful of restaurants also offer CBD cocktails or hot drinks, and the number of kitchens and chefs using cannabis-based products is increasing across the country.

However, in January 2019, the UK Food Standards Agency (FSA) announced that it plans to conduct an investigation of CBD products for consumer safety. It is expected that the FSA will later provide requirements for authorization. This may take up to 18 months. Although enforcement is unclear at the moment, some CBD products have already been removed from the shelves. Since the FSA's assessment does not apply to cosmetics or skincare products with CBD, some CBD companies have expressed interest in launching beauty products now.

A license is required in order to cultivate hemp in the UK. There are restrictions on where the farm can be located that must be approved by the Home Office. Many companies still struggle to secure banking and payment options for their hemp-related businesses. A lobbying group, the British Hemp Association, was formed to educate and push for legislative changes, such as whole plant processing and financial support. Due to barriers of entry, the number of hemp farmlands is small, around 810 hectares.

Italy

Medical cannabis has been legal in Italy since 2013, yet access and supply remained restricted for years. In 2017, the Military Chemical and Pharmaceutical Plant (MCPP) received a license to cultivate medical cannabis, which supplemented the imported supply from the Netherlands (i.e. from Bedrocan). The MCPP cultivates a medical cannabis product, FM2, that contains 5-8% THC and 7.5-12% CBD. A high THC product (FM1) and a CBD product (FM0) will soon be available. The MCPP only produces 100-150

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kg per year, which has led to a shortage of supply. In 2018, an import license was granted to Canadian licensed producer (LP), Aurora, for 100 kg of medical cannabis per year to help meet the demand.

Italy has a rich history of hemp cultivation and it used to be one of the main producers in the world prior to prohibition of the plant. The market opened up in 2016 when the government announced that a license to cultivate hemp for industrial, food, cosmetic and energy purposes was no longer required. Whereas the rest of the EU requires THC content to be below 0.2%, Italy permits a margin of up to 0.6%.

Based on the license exemption, many companies started producing and selling high CBD, low THC referred to as "cannabis light." Cannabis light products must state that the product is not for human consumption; however, once a person purchases the product the use is essentially up to their own discretion. These products are legally sold and branded as "collectors' items." Since it is a "collectors' item," imported "cannabis light" products are not taxed. However, it is necessary to have proper test and analytics when crossing the border to guarantee the product passes customs.

One of the first "cannabis light" companies, EasyJoint Project, launched in 2017 and is sold in hemp specialist shops. There are now around 1,000 e-commerce sites and other retail stores that sell CBD oil, capsules, CBD for pets, dried flower, vapes and cosmetics. Legally, the Health Ministry must approve products, yet this is not frequently enforced.

Foreign companies have invested in land over the last couple of years, including public Canadian companies Wayland, LGC Capital, Canopy and CROP. In 2018, Wayland entered a JV with CBD Italian Factory S.S. with plans to supply the local market with CBD for medical, therapeutic and veterinary purposes. LGC Capital entered an agreement with EasyJoint to acquire 47% of the company to gain access to the local "cannabis light" companies' 415 retail outlets and 11 branded stores. In February 2019, Canopy made an investment in Italian organic hemp producer and CBD extractor, Canapar Corp. CROP, a Canadian holdings company, acquired 30% of Italian company, Zhemplar, to cultivate and extract low THC, high CBD products, under a white label brand, Tiffany CBD and Hempire Italia. The company also has exclusive rights with Yield Growth Corp to over 55 wellness products that can be infused with CBD.

Switzerland

Switzerland is recognized for its progressive drug policies and evidence based approaches. Medical cannabis has been regulated since 2008 and continued to open with regulatory changes in 2017. The number of patients is relatively small, at around 3,000 people. Prior to June 2018, it was not possible to obtain pharmaceutical grade pure CBD for medical purposes. That changed once the Food and Drug Administration in the U.S. approved Epidiolex; subsequently, the Swiss law changed, too. Pharmacies can now prepare magistral formulas for CBD for patients who meet certain conditions

Although cannabis is controlled under the Narcotics Act, CBD is not included in that legislation. The country permits 1% THC to be cultivated, produced and used, which is regulated as a tobacco substitute. These products (e.g. pre-rolled joints, dried flower, and cannabis cigarettes) are regulated under the Tobacco Ordinance and can be purchased in supermarkets, specialty shops, kiosks and cafes. The first cannabis cigarette was available for purchase in 2017. These products are predominantly consumed by affluent businesspeople during breaks at work or the end of the day.

The Federal Office of Public Health (FOPH) provides regulatory oversight for tobacco and CBD products. Registration with the FOPH is required for tobacco substitutes to

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guarantee quality control and compliance. However, this is practiced under "self-supervision" requiring the company to register products prior to market placement. In recent years, the FOPH has been removing CBD products from storefronts due to lack of self-compliance, transparency and false claims.

Swiss law also permits CBD to be used in pure or synthesized form for cosmetic products. The Federal Food Safety and Veterinary Office regulates cosmetic products as well as products that contain hemp-derived ingredients and CBD liquids for e-cigarettes. None of these products can make any pharmacological claims. The Federal Office for Agriculture regulates hemp seeds, oil, fiber, etc, and seeds must be certified and listed under the European Union's Common Catalogue of Varieties.

From 2017 to 2018 there was an influx in the number of cannabis companies in Switzerland, leveling off from around 500 companies to around 100 companies. While many are supplying the local market, a number of companies are exploring and exporting to neighboring markets (e.g. Italy, France, Germany). Beyond their geographical advantage, Switzerland also is recognized for its quality and sophisticated pharmaceutical sector.

At the end of 2018, LGC Capital entered a partnership with Viridi, a Swiss cultivator, processor and distributor of high-CBD products. Wayland acquired Haxon AG, a Swiss hemp producer of 1% THC products. Creso Pharma Limited entered into an agreement with Hempmate Zurich AG for further expansion into the European CBD market.

France

Medical cannabis has been legal in France since 2013 and Marinol has been the only product prescribed. In 2018, the ANSM launched an investigation to explore scientific data for therapeutic uses of the plants, type of eligible conditions and consider regulatory frameworks in other legal medical markets. An initial recommendation found that legal medical cannabis should be authorized and final recommendations are expected to be released by September 2019. Aurora has already announced plans to expand into France by investing in infrastructure prior to the market opening.

France is the leading hemp cultivator and processor in Europe, and the global leader in hemp seed production. In 2016, there was a total of 33,000 hectares growing hemp. Stalks and seeds can be processed, yet buds cannot be legally processed, unless for medical purposes. Synthetics are permitted for use. The country permits the cultivation of 20 strains, approved by the EU. There is one company, Hemp-it, that has received a license to grow different varieties.

Despite its leading position in hemp production, the French government has cracked down on the sale of hemp-derived products and CBD sold in stores, cafes and seed shops, as a response to public health and safety. Over the past few months, the Ministry of Social Affairs and Health and National Agency for the Safety of Medicines and Health products (ANSM) have been conducting a review on the uses and authorizations required for CBD. There are a number of CBD and hemp-derived skincare and cosmetic companies that sell lotions, cremes, pain balms, beard oils, etc. France's extensive history in the cosmetics industry positions the country well for CBD skincare.

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Latin American Landscape

Chile

Medical cannabis has been legal in Chile since 2017 following a pilot program conducting scientific research that began in 2014. A consortium of non-for-profit organizations, most notably the Daya Foundation, ran this program. They treated over 1,000 patients in the first year of operations. Following the regulatory change in 2017, imported medical cannabis products were available from pharmacies.

Product authorization and cultivation licenses are required to grow and distribute medical cannabis products in country. The Agricultural and Livestock Service of Chile governs these licenses. Chile also permits home-grow, which is popular in the country and the region.

Dayacann (part of Daya Foundation) was the first company to receive a license to cultivate medical cannabis in Chile. Khiron Life Sciences entered an MOU with Dayacann in January 2019 to further expand into the Chilean market of around 1.8 million patients. In 2018, Tilray entered a partnership with Alef Biotechnology (now Tilray Latin America) for distribution in Chile and Brazil, and recently received a license to cultivate and process medical cannabis products. Two Tilray products, T100 and TC100 were approved for prescription in 2016. Canopy Growth's Spectrum Cannabis Chile is also operating in Santiago focused on medical research and patient outreach.

Hemp production has been part of Chile's history, dating back to the 1500s, and has remained legal. There have been provisions in Chilean law to differentiate between cannabis and hemp. Despite its legality, there are not many hemp farms in the country. Chile hosts Expoweed, a hemp trade show, that is Latin America's biggest hemp event. With the land and history, the country has positioned itself for growth as demand for hemp-based products increase.

Colombia

Colombia is becoming a Latin American hub for cannabis cultivation due to favorable climate and cost of production. The country permits exports of extracts only, with the exception of small quantities of dried flower that are exported for scientific reasons. Only permitting extracts for export is strategic to have traceability from seed to harvest and production. This is in order to curb organized crime and money laundering related to the country's history of drug trafficking. There have been trade agreements established between the EU and Canada in order to facilitate exportation of extracts.

The governments passed legislation for medical use in 2015, which was formally implemented in 2016, and a framework for medical cannabis cultivation was established in 2017. The country issues four types of licenses: 1. Cannabis Seeds (for scientific purposes) 2. Cultivation (psychoactive cannabis) 3. Manufacturing (cannabis derivatives) 4. Cultivation (non-psychoactive cannabis). Another license is required to export. Clever Leaves became the first Colombian company in February 2019 to export medical cannabis to Canada.

Many Canadian LPs have opened operations in Colombia, including Canopy, Aurora, Plena Global, Khiron Life Sciences, Blueberries Medical Corp, Pharmacielo and Wayland. Some of these companies are focused on cultivating strains for CBD. Pure Harvest Cannabis Producers recently entered a JV for land in Colombia to produce CBD from hemp and cannabis. Pharmacielo also secured a proprietary license to cultivate 10 strains, some CBD and some THC dominant. The company registered their seeds, which is now required following an amnesty period for seed genetics that ended December 31,

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2018. Organto received a license to produce high-CBD strains and Foulimed intends to cultivate 70 tones of hemp and cannabis for medical purposes. Colombia enjoys an advantageous climate for cultivating cannabis at a low cost for production, which has attracted interest from many foreign companies.

Mexico

Medical cannabis has been regulated in Mexico since 2017. This regulatory change followed a favorable Supreme Court ruling for a young girl who treated her Lennox-Gastaut syndrome with CBD oil in 2015. It is permitted to have medical cannabis products with up to 1% THC content and these products are regulated by the Health Ministry. Aurora (through their subsidiary Farmacias Magistrales) recently received a license to import medical cannabis products containing over 1% THC. Pharamacielo recently announced a JV with Mexican pharmaceutical company MINO Labs S.A. de C.V. to distribute medical cannabis domestically.

Mexico is the second largest hemp producer in Latin America. The law changed in 2017 to permit the cultivation and processing of industrial hemp. In November 2018, the government released a list of 38 OTC products – 21 food supplements, 9 cosmetics, 6 edibles or beverages, 2 raw material – that have been approved for sale in the country. Seven companies received authorization for these products, which includes 2 American, 4 Mexican and 1 Spanish company. These products must contain no more than 1% THC. Products can be purchased through retail stores and e-commerce sites. The regulatory agency authorizing these products is the Mexican Federal Commission for Protection Against Sanitary Risks.

Mexico has announced plans to legalize cannabis for adult-use purposes in 2019, which would significantly change the shape of the market opportunities. The country would become the third in the world to implement a nationwide policy to legalize cannabis for all purposes. In the proposed legislation there would include six types of cultivation licenses – 1. Personal, 2. Scientific, 3. Therapeutic, 4. Recreational, 5. Pharmaceutical and 6. Industrial – five manufacturing licenses – 1. Personal, 2. Therapeutic, 3. Pharmaceutical, 4. Recreational and 5. Industrial – and three distribution licenses – 1. Therapeutic, 2. Pharmaceutical and 3. Industrial. These considerations are still pending. While this will bring many changes to the regulatory framework, home-grow has been legal for personal use since 2015.

Former President Vicente Fox has become a public figure in the cannabis industry by accepting a position at Khiron Life Sciences, one of the leading Latin American producers. The company launched a nutraceutical line, Kuida Life Mexico S.A., at the end of 2018. They receive approval to import CBD-based supplement products for sleep, digestion and muscle recovery. Khiron also entered a JV with American edibles company Dixie Brands for distribution in the Latin American market.

Uruguay

Uruguay was the first country in the world to legalize cannabis for all purposes nationwide in 2017. However, medical cannabis has been regulated in the country since 2013 and an industrial hemp program has been implemented since 2010. The Institution of Regulation and Control of Cannabis provides regulatory oversight for the medical market.

There are two licensed producers in Uruguay, and thus, the market has not opened to many foreign entities. This has led to a shortage of supply for the domestic market. Addressing supply issues, the country announced plans to rework the framework to permit more imports and opened applications for up to five more licenses.

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The current licensed companies have already entered agreements with publicly traded cannabis companies. In 2018, Aurora acquired Uruguayan fully licensed ICC Labs Inc. (ICC) that operates a GMP-certified lab facility, indoor and outdoor grow operations and distributes CBD-based products under the brand BIDIOL. In January 2019, Khiron acquired NettaGrowth International Inc., which gives the company access to one of the two currently held medical cannabis licenses in Uruguay.

The amount of land cultivating hemp increased since 2016 but it not at the commercial scale yet. There are intentions to grow hemp in order to extract CBD for pharmaceutical and nutraceutical uses. Although cultivation of CBD with less than 1% THC is permitted, it is relatively difficult to access CBD products in Uruguay at the moment. In 2018, Auxly Cannabis Group acquired Uruguayan hemp cultivator and extractor Inverell S.A. with plans to develop and distribute CBD products.

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Additional Applications / Implications (Nadeau & Osborne)

Epilepsy & Psychiatric Conditions (Nadeau)

For companies willing to invest in research and manufacturing, the development of FDA-approved cannabinoid-based drugs provides another path to market. GW's Epidiolex (highly potent, pure CBD) was approved by the FDA in 2018, and several other companies are dedicating resources to conducting the pre-clinical and clinical research necessary to follow in GW's footsteps. These companies are developing cannabinoids that differ by route of administration (oral capsule, oromucosal spray, sublingual pill, aerosol, topical cream, etc), formulation (level of purification, bioavailability, concentration), and dosing strategy (single agent or in combination). Below we summarize the clinical trial data from GW's Epidiolex in epilepsy and psychiatric indications, and Zynerba's transdermal CBD gel ZYN002 in Fragile X syndrome.

GW conducted a broad Phase III program for Epidiolex in epilepsy, consisting of two Phase III trials in Dravet, two Phase III trials in Lennox-Gastaut syndrome (LGS), a Phase III trial in tuberous sclerosis complex, and a Phase II/III trial in infantile spasms. The first three Phase III trials (one in Dravet and two in LGS) supported an NDA submission, leading to FDA approval in June 2018.

The Phase III efficacy portion of the first Dravet trial randomized 120 patients to either Epidiolex (20 mg/kg/day, n=61), or placebo (n=59). Epidiolex was added to background anti-epileptic drugs (AEDs). On average, patients were taking ~3 AEDS after previously having failed 4 or more. The average age of trial participants was 10 years and 30% of patients were less than 6 years of age. Patients entered the study with a median baseline convulsive seizure frequency of 13/month. The primary endpoint was the % change in monthly frequency of convulsive seizures during the 14-week treatment period compared with the 4-week baseline between Epidiolex and placebo.

On the trial's primary endpoint, Epidiolex achieved a highly statistically significant median reduction in monthly convulsive seizures of 39% compared with a reduction in placebo patients of 13% (p=0.01). The difference between Epidiolex and placebo emerged during the first month of treatment and was maintained through the entirety of the treatment period. Nine pre-specified sensitivity analyses of the primary endpoint confirmed the robustness of the primary endpoint result. These analyses dealt with statistical elements such as the data's normality, assumptions about discontinuations, and the time period over which the data were analyzed. A number of secondary endpoints were also assessed (responder analysis, seizure types, global impression of change).

Full data were presented at AES 2016. This presentation disclosed that during the maintenance period the reduction in seizure frequency was 41% for Epidiolex vs. 16% for placebo, p=0.0052. The median reduction in total seizures was 29% for Epidiolex vs. 9% for placebo during the treatment period, and 37% for Epidiolex vs. 10% for placebo during the maintenance period. There was a clear separation between Epidiolex and placebo in a continuous response analysis of convulsive seizures across all reductions in convulsive seizure frequency. In particular 43% of Epidiolex patients vs. 27% of patients taking placebo had at least a 50% reduction in convulsive seizures. 62% of Epidiolex patients vs. 35% of placebo patients were rated slightly improved, much improved, or very much improved on the Caregiver Global Impression of Change (CGIC). It was noted that three Epidiolex and no placebo patients achieved convulsive and total seizure freedom during the treatment period. While the poster did not discuss the impact of concomitant clobazam on efficacy, it did note that "the effect of concomitant AEDs on efficacy will be explored in future pooled analyses."

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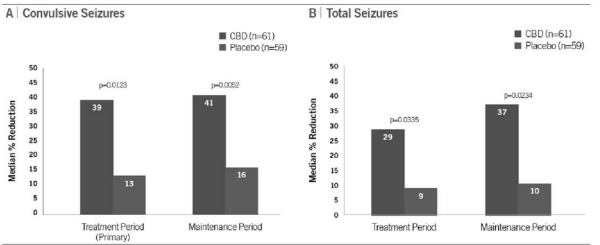
Figure 121 Efficacy Results From Epidiolex's First Phase III Trial In Dravet Syndrome



Source: GW Pharma, AES 2016

The most common adverse events were reported to be somnolence (36% in patients on Epidiolex vs. 10% in placebo patients), diarrhea (31% vs. 10%), decreased appetite (28% vs. 5%), fatigue (20% vs. 3%), pyrexia (15% vs. 9%), and vomiting (15% vs. 5%). Importantly, there was no difference in the number of patients who experienced status epilepticus between Epidiolex (n=4) and placebo (n=3). Increases in ALT or AST (>3x ULN) occurred in 12 CBD and 1 placebo patient, all of whom were on concomitant valproic acid. All elevations resolved. SAEs were seen in 10 Epidiolex patients vs. three on placebo. Eight patients on Epidiolex discontinued treatment compared with one patient on placebo, due to adverse events similar to those above, including three due to ALT/AST elevations.

Figure 122 Safety Data From Epidiolex's First Phase III Trial In Dravet Syndrome

	CBD (n=61) n (%)	Placebo (n=59) n (%)
All-causality TEAEs	57 (93.4%)	44 (74.6%)
Treatment-related TEAEs	43 (70.5%)	16 (27.1%)
TEAEs leading to withdrawal	9 (14.8%)	1 (1.7%)
Serious TEAEs	10 (16.4%)	3 (5.1%)
Treatment-related serious TEAEs	5 (8.2%)	0
TEAEs reported in >10% of patients in either group by preferred term		
Somnolence	22 (36.1%)	6 (10.2%)
Diarrhea	19 (31.1%)	6 (10.2%)
Decreased appetite	17 (27.9%)	3 (5.1%)
Fatigue	12 (19.7%)	2 (3.4%)
Pyrexia	9 (14.8%)	5 (8.5%)
Vomiting	9 (14.8%)	3 (5.1%)
Lethargy	8 (13.1%)	3 (5.1%)
Upper respiratory tract infection	7 (11.5%)	5 (8.5%)
Convulsion	7 (11.5%)	3 (5.1%)

Source: Cowen and Company

In 2015, GW initiated two Phase III trials in Lennox-Gastaut Syndrome. The first trial enrolled 171 patients, and the second enrolled 225. In the first LGS study, the patients were randomized 1:1 to 20mg/kg or placebo while in the second, they were randomized 1:1:1 to 20mg/kg Epidiolex, 10mg/kg Epidiolex, or placebo. The LGS trials assessed drop seizures (atonic, tonic, and tonic-clonic seizures that involve the entire body, trunk or head that led or could have led to a fall, injury, slumping in a chair or hitting the patient's

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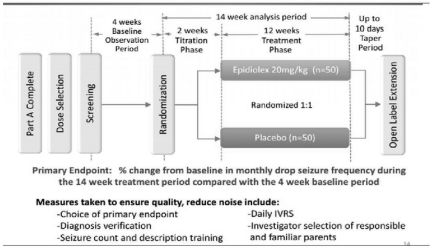
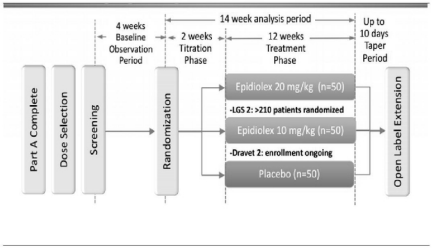
head on a surface). The primary efficacy endpoint of the trials was a comparison between Epidiolex and placebo in the percentage change in the monthly frequency of drop seizures during the 14 week treatment period (including 2 weeks of dose escalation) compared to the 4 week baseline period. Following the completion of the blinded portion of the trial, all patients were eligible to receive Epidiolex in an open label extension study.

Figure 123 1st LGS Phase 3 Trial Design



Source: GW Pharma

Figure 124 2nd LGS Phase 3 Trial Dose Ranging Design



Source: GW Pharma

The first Phase III trial, patients were on an average of three AEDs, and had previously tried and failed an average of 6 other AEDs. Even on their baseline medications, the patients were experiencing a median baseline drop seizure frequency of 74 per month. The average age of patients in the trial was 15 years, although 34% were 18 years or older. On the primary endpoint, Epidiolex produced a median reduction in monthly drop seizures of 44% compared to a reduction of 22% in patients taking placebo (p=0.0135). Epidiolex reduced all seizures by 41% vs. a 14% reduction for placebo (p=0.0005), while the reduction in all seizures during the maintenance period was 45% for Epidiolex vs. 15% for placebo (p=0.0004). Similar to the Dravet trial, there was a clear separation between Epidiolex and placebo on percent reduction in drop seizure frequency across all magnitudes of reduction. In particular, 44% of Epidiolex patients had at least a 50% reduction in drop seizures, compared to 24% of patients taking placebo (p=0.0043). 58% of Epidiolex patients compared to 34% of placebo patients were rated as "slightly improved", "much improved" or "very much improved" on the Subject/Caregiver Global Impression of Change.

Epidiolex appeared to be well tolerated in the trial. 86% of patients on Epdiolex had an adverse event, compared to 69% of placebo patients. The most common adverse events were diarrhea (19% of patients on Epidiolex vs. 8% of placebo patients), somnolence (15% vs. 9%), pyrexia (13% vs. 8%), decreased appetite (13% vs. 2%) and vomiting (11% vs. 17%). Again, there was no difference in the number of patients who experienced status epilepticus between Epidiolex (n=1) and placebo (n=1). There was one death in the Epidiolex group from acute respiratory distress syndrome, but it was not considered treatment related. Increases in ALT or AST (>3xULN) occurred in 20 CBD and 1 placebo patient, all of whom were on concomitant valproic acid. All elevations resolved.

In September 2016, GW announced that Epidiolex's second Phase III pivotal trial (GWPCARE3) in the treatment of Lennox-Gastaut syndrome was also successful. On average, patients were on 3 AEDs at baseline, having previously tried and failed a mean of 7 other AEDs (median=10). The median baseline drop seizure frequency was 85 per

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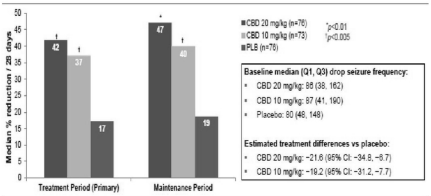
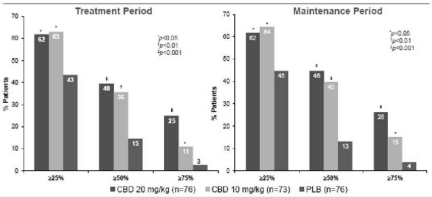
month and the average age of patients in the trial was 16 yrs, although 30% were 18 yrs or older. On the primary endpoint, 20 mg/kg Epidiolex produced a median reduction in monthly drop seizures of 42% compared to a reduction of 17% in patients taking placebo, p=0.0047. There was also a suggestion of a dose response in the data, with the lower 10 mg/kg/day dose of Epidiolex producing a median reduction in monthly drop seizures of 37%, p=0.0016. In both dose groups the difference between Epidiolex and placebo emerged during the first month of treatment and was sustained during the entire treatment period. GW disclosed that the trial's secondary endpoints, and a series of sensitivity analyses, confirmed the robustness of the results. Similar to Epidiolex's other Phase III studies, although patients on clobazam (51%) had some additional benefit, GW indicated that Epidiolex also showed efficacy in patients not on clobazam.

Figure 125 GWPCARE3: Reduction In Drop Seizures



Source: GW Pharma, AAN 2017

Figure 126 GWPCARE3: Responder Analysis



Source: GW Pharma, AAN 2017

Additional data were presented at AAN 2017. Included in this presentation were several of the trial's secondary endpoints and a series of sensitivity analyses. All of these confirmed the robustness of the results. For example, the proportion of patients with a >50% reduction in seizure frequency was 40% for 20 mg/kg Epidiolex (p<0.001), 36% for 10 mg/kg Epidiolex (p<0.01), and 15% for placebo. The proportion of patients with a >75% reduction in seizure frequency was 25% for 20 mg/kg Epidiolex (p<0.01), 11% for 10 mg/kg (p<0.05) Epidiolex, and 3% for placebo. The proportion of patients who achieved seizure freedom was 7% for 20 mg/kg Epidiolex, 4% for 10 mg/kg Epidiolex, and 1% for placebo.

Figure 127 GWPCARE3: Safety

	CBD 20 mg/kg (n=82) n (%)	CBD 10 mg/kg (n=67) n (%)	Placebo (n=76) n (%)
All-causality TEAEs	77 (94)	56 (84)	55 (72)
Treatment-related TEAEs	51 (62)	20 (30)	15 (20)
TEAEs leading to withdrawal	6 (7)	1 (1.5)	1 (1)
Serious TEAEs	13 (16)	13 (19.4)	8 (11)
Treatment-related serious TEAEs	5 (6)	2 (3)	0
TEAEs reported in >10% of patients in any group by preferred term			
Somnolence	25 (31)	14 (21)	4 (5)
Decreased appetite	21 (26)	11 (16)	6 (8)
Diarrhea	12 (15)	7 (10)	6 (8)
Upper respiratory tract infection	11 (14)	11 (16)	11 (15)
Pyrexia	10 (12)	6 (9)	12 (16)
Vomiting	10 (12)	4 (6)	9 (12)
Nasopharyngitis	9 (11)	3 (5)	5 (7)
Status epilepticus	4 (5)	7 (10)	3 (4)

Source: GW Pharma, AAN 2017

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Epidiolex appeared to be well tolerated in the trial. 94% of patients on 20 mg/kg Epdiolex and 84% of patients on 10 mg/kg Epidiolex had an adverse event, compared to 72% of placebo patients. 88% of 20 mg/kg patients and 89% of 10 mg/kg patients deemed their adverse events to be mild or moderate. The most common AEs on 20 mg/kg were somnolence, decreased appetite, diarrhea, upper respiratory infection, pyrexia, vomiting and nasopharyngitis. For 10mg/kg the most common AEs were somnolence, decreased appetite, upper respiratory infection, diarrhea, and status epilepticus. None of the cases of status epilepticus on 10 mg/kg were deemed treatment-related. Thirteen patients on 20 mg/kg Epidiolex had an SAE, of which five were considered treatment related; and 13 patients on 10 mg/kg Epidiolex had an SAE, of which 2 were considered treatment related, compared to 8 patients on placebo. Elevations in ALT/AST levels were observed in 11 patients in the 20mg/kg group and 2 patients in the 10mg/kg group; 10 of the 13 patients were also on valproic acid. Five Epidiolex patients withdrew due to the elevations, but none of the patients met the criteria for drug-induced liver injury. GW noted that overall 10 mg/kg seemed to be somewhat better tolerated; 6 patients on 20 mg/kg Epidiolex and 1 patient on 10 mg/kg Epidiolex discontinued treatment due to adverse events, compared with 1 patient on placebo. There were no deaths in the trial. The results of the trial were published in *NEJM* in May 2018.

Following the release of Phase III datasets from 1 Dravet and 2 LGS trials, a key area of controversy among investors (though not physicians) had been the drug-drug interaction between Epidiolex and clobazam, and in particular whether Epidiolex was effective in patients who were not also taking clobazam. This was put to rest at AES 2017 when GW presented a pooled analysis of the two Phase III LGS trials evaluating Epidiolex's efficacy with and without concomitant clobazam. Even without clobazam, Epidiolex produced solid placebo-adjusted response rates. Response was characterized in terms of "25% responders", "50% responders", and "75% responders", meaning the proportion of patients who had a 25%, 50%, or 75% decrease in seizure frequency. For patients randomized to Epidiolex's 20mg/kg dose, the placebo-adjusted 50% response rate was 22% for patients on Epidiolex without clobazam, compared to 33% for patients on Epidiolex and clobazam. We believe that investors had been hoping for a 12-15% placebo-adjusted 50% response rate for patients on Epidiolex without clobazam in order to be satisfied that Epidiolex was active without clobazam, and therefore the results cleared this bar. For patients randomized to 10 mg/kg Epidiolex, the placebo-adjusted 50% response rate was 25% for patients on Epidiolex without clobazam, compared to 27% for patients on Epidiolex with clobazam. The results for other thresholds of seizure frequency reduction were also generally solid. For 25% responders, the placebo-adjusted response rate was 9% for patients on 20 mg/kg Epidiolex without clobazam, compared to 24% for patients on 20mg/kg Epidiolex with clobazam. At the 75% responder threshold, the placebo adjusted response rate was 8% for patients on 20mg/kg Epidiolex without clobazam, compared to 30% for patients on 20mg/kg Epidiolex with clobazam. In addition to the pooled Phase III data, there were also abstracts from the compassionate use experience of Massachusetts General Hospital and the University of Alabama Birmingham. The analyses from these two institutions also concluded that Epidiolex does not need to be combined with clobazam to be effective.

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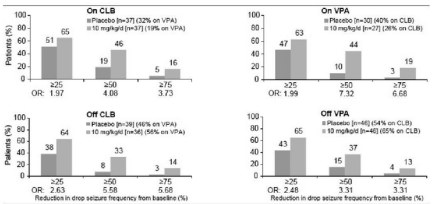
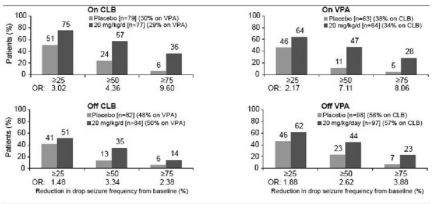
Figure 128 Pooled LGS % Seizure Reduction: 10mg/kg Epidiolex vs. Placebo



Source: GW Pharma, AES 2017

Figure 129 Pooled LGS % Seizure Reduction: 20mg/kg Epidiolex vs. Placebo



Source: GW Pharma, AES 2017

GW has also studied CBD in psychiatric indications. Results from an exploratory study of CBD (GWP42003) in schizophrenia were released in September 2015. The trial was a Phase IIa 6 week, placebo-controlled exploratory trial in 88 patients with schizophrenia refractory to first line anti-psychotic medications. To be enrolled, patients must have been treated for a minimum of four weeks on a first line anti-psychotic medication and still have a PANSS total score in excess of 60. CBD was administered as adjunct therapy on a background of antipsychotic medication. The trial did not have a primary endpoint, but rather a number of exploratory endpoints.

CBD consistently demonstrated superiority to placebo, suggesting that CBD may have substantial anti-psychotic effects. CBD produced statistically significant benefits compared to placebo on the PANSS positive sub-scale (p=0.018), the Clinical Global Impression of Severity (p=0.04) and Clinical Global Impression of Improvement (p=0.02). The proportion of responders (improvement in PANSS Total score > 20%) was higher on CBD than placebo (p=0.07), with an Odds Ratio of 2.65. Moreover, CBD trended superior to placebo (p=0.07) on sub-domains of the PANSS that were particularly relevant to cognition in people with schizophrenia. The Scale for Assessment of Negative Symptoms showed a trend in favor of CBD, and reached statistical significance in patients taking CBD together with a leading first line anti-psychotic medication. The rest of the exploratory endpoints, many of which were other scales measuring functionality and cognition in schizophrenia patients, also trended in favor of CBD.

Even in the context of schizophrenia, CBD produced a clean safety profile, with no serious adverse events and a balanced incidence of adverse events compared to placebo. The most common adverse events were diarrhea (9.3% CBD vs. 4.4% placebo), nausea (7% CBD vs. 0% placebo), headache (7% CBD vs. 8.9% placebo) and somnolence (0% CBD vs. 6.7% placebo). There were two withdrawals from the study due to treatment-related adverse events, one each for CBD and placebo.

CBD's activity in schizophrenia is supported by pre-clinical data in animal models, as well as by a recent study published in *The Journal of Clinical Investigations* (2012) which suggested CBD may be useful as either monotherapy or in combination with first line anti-psychotic agents. Nonetheless, while the p-values suggest that CBD has activity, its potency is difficult to judge without knowing the effect sizes. Therefore, additional data from this and subsequent studies will be necessary to fully understand the potential of CBD in schizophrenia. GW Pharma has indicated that it intends to pursue CBD's future development in pediatric orphan neuropsychiatric indications.

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GW's platform allows it to produce chemotypes with precise concentrations of various cannabinoids, and the company is testing numerous other cannabinoids. GW's CBDV drug is in a 10 patient investigator sponsored trial in autism spectrum disorders, and a Phase II 100 patient placebo controlled trial in this indication began in December 2018. GW is also investigating CBDV for use in epilepsy, though the first clinical trial was not successful.

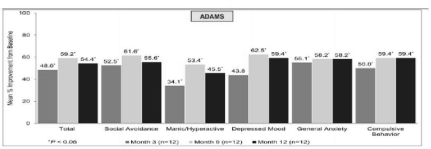
Zynerba studied its transdermal CBD gel ZYN002 in Fragile X syndrome in a 12 week Phase II open-label study in children and adolescents. In the trial, patients were initiated on a dose of 50mg daily with the option to titrate up to 250mg daily. The primary endpoint was the Anxiety, Depression, and Mood Scale (ADAMS) Total Score. Twenty patients were enrolled, 18 of whom completed the 12 week treatment. At 12 weeks, two patients were on 100mg and 16 were on 250mg. On the primary endpoint, subjects saw an average improvement of 14.1 points (or 45.8%) from baseline (p<0.0001) with the greatest improvements seen in social avoidance (52.9%), general anxiety (54.0%), and manic/hyperactive behavior (p=0.0003). Twelve patients continued in a long-term extension study out to 12 months of follow up. These patients showed statistically significant improvements in mean % change from baseline in ADAMS Total Score, as well. The extension trial also contributed to a more robust safety dataset. The most common treatment-emergent adverse events were gastroenteritis (14%) and upper respiratory tract infection (12%); no serious AEs were reported. A randomized, double-blind, placebo-controlled trial to extend these findings to a larger population is ongoing in Australia, New Zealand, and the U.S.

Figure 130 ZYN002 Produced Reductions In ADAMS At 12 Weeks...

Scale: ADAMS	Baseline (n=20)	Week 12 (n=18)	Week 12 Δ (% Improvement Group Mean)	P-value[a]
Total Score	33.4	18.1	-14.1 (45.8)	<0.0001
Social Avoidance	10.2	4.8	-5.1 (52.9)	0.0002
Manic/Hyperactive Behavior	9.4	6.1	-2.7 (35.1)	0.0003
Depressed Mood	2.8	2.0	-0.9 (28.6)	0.1417
General Anxiety	10.0	4.6	-4.8 (54.0)	<0.0001
Compulsive Behavior	2.8	1.4	-1.2 (50.0)	0.0262

Source: Zynerba

Figure 131 ...And Efficacy Persisted Out To 12 Months In An Extension Study



Source: Zynerba

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Industrial Hemp And Sustainable Bioproducts (Osborne)

Figure 132 - Industrial Hemp Use Cases

Part of Plant	Fiber	Hurd	Entire Stalk	Hemp Nut	Hemp Oil	Seed Cake
Product Category	**Textiles**	**Building Materials, Industrial Products, Paper**	**Energy Products**	**Foods**	**Foods, Personal Care Products, Technical Oils**	**Pressed Products**
Common Uses	Apparel Netting Canvas	Fibre Board Mulch Printing Cardboard	Ethanol Biofuels	Bread Granola Cereal	Supplements Soap Cosmetics Solvents, lubricants, fuels	Animal Feed Proteins Flour

Source: Cowen and Company

Hemp plants have been used for industrial applications for thousands of years. Hemp stalk fiber was traditionally used as a textile for use in rope; clothing; and sails due to its tensile strength. Hemp seeds are used in foods and compressed to make oils that were used as a lighting fuel. The original diesel engine was designed to run on a variety of biodiesel fuels, including vegetable oils and seed oils, which included hempseed oil. In 1937, hemp production was banned due to its similarity to marijuana despite low THC presence, but to aid the war effort the federal government requested that farmers plant industrial hemp to make up for a shortfall in imports from the Asian Pacific. Farmers planted 36,000 acres of hemp in 1942 and set a target of 50,000 acres in order to produce the 34,000 feet of hemp that was needed in each Naval battleship and for other textile uses. The cheap availability of petroleum based synthetic products and federal regulations against hemp production caused hemp production to decline rapidly again after the war in the U.S. and throughout most of Europe. As hemp now looks to make a comeback in light of recent legislation, we see the use cases for industrial hemp to include many of the traditional textile and food uses that were previously common, in addition to the growing CBD market.

Figure 133 - Industrial Hemp Imports In 2017 ($1,000)

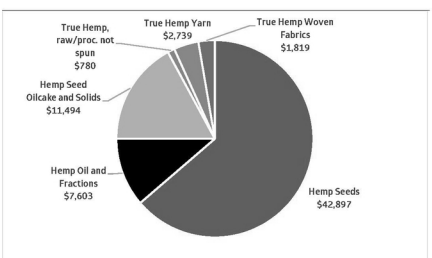
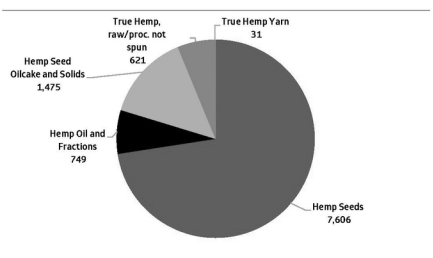


Figure 134 - Industrial Hemp Imports In 2017 (Metric Tons)



Source: Cowen and Company, Compiled by CRS using data from the U.S. ITC

Sustainability Of CBD And Hemp Production

As the CBD industry grows in size, we believe that producers will look to minimize the environmental impact of production. In addition, we could see producers try to monetize the entire waste stream of the hemp production process by converting parts of the plant that aren't used to produce CBD or other products into biomass energy. We believe the most common use cases for hemp biomass will be in the form of pelleting for

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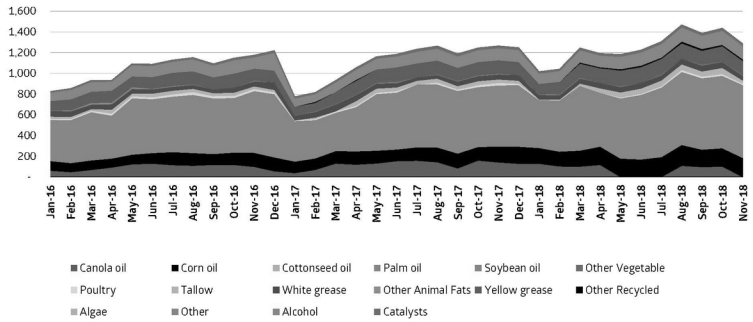
use as heating fuel, and also see potential to act as a cellulosic biofuel. The process of pelleting industrial hemp biomass would be a similar to that of pelleting wood waste, which gets converted into densified biomass products such as roundwood, pulpwood, sawmill residuals, and wood product manufacturing residues, which typically cost ~$30 per ton. Wood biomass fuel has an annual capacity of 12.6 million tons per year and produces ~675 GWh per year in energy. Access to local refineries is key to utilizing hemp biomass as a cellulosic biofuel. Through local access to refineries, the fuel can be refined while transportation costs, which can make the products uncompetitive, are minimized. Given the commoditized market for biodiesel however, where soybean oil has ~50% of the market input by weight and corn oil has ~15% of the market input by weight, we do not expect hemp to materialize as a meaningful player due to the competitive advantage of high production crops competing for low cost production.

Figure 135 - Biodiesel Production By Input (Millions Of Pounds)



Source: Cowen and Company, EIA

Biochemical CBD Production Methods

CBD is most commonly produced by either CO2 or ethanol extraction from hemp plants. In CO2 extraction, plants are filtered through a series of chambers with temperature and pressures applied to the plants that isolate the cannabinoids. The CO2 method is able to isolate CBD at a 90% efficiency and is typically used when producing small quantities. Ethanol extraction introduces the hemp plant to solvent ethanol and enables higher volumes production. In addition to hemp-based production of CBD, we believe the opportunity exists for players within the biochemical space to produce CBD by utilizing a fermentation approach from other feedstocks. Amyris recently announced a $255 million cannabinoid development, licensing and commercialization agreement. Amyris plans to utilize the C5 molecule found in sugarcane in a fermentation process to produce CBD. The company believes that the fermentation process ensures a level of purity that is not possible through traditional plant-based production, where CBD levels can vary from plant to plant. In order to build out the industrial scale necessary for mass food market, CBD products will need to be produced at standardized levels. Given Amyris plans to produce CBD at its Brotas plant in Brazil, which is fueled by biomass co-product of the nearby sugarcane fields, we believe this will be an attractive option for companies looking to integrate CBD into their products sustainably assuming the company is able to produce cost competitively with hemp plants.

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Appendix

Figure 136 Cannabis Comp Table

Company Name - Non-Coverage	Ticker	Local Curr	Price 2/22/2019	52 Week Low	52 Week High	Market Value	Enterprise Value	Enterprise Value / LTM Rev	FY1 Rev	FY2 Rev	FY3 Rev	FY1 EBITDA	FY2 EBITDA	FY3 EBITDA
1933 Industries Inc	TGIF.CD	CAD	0.56	0.30	0.80	133	131	8.8	4.3	3.1	NA	31.2	11.8	NA
Aphria Inc	APHA.N	USD	10.18	3.75	13.45	2,535	3,219	56.2	NA	NA	NA	NA	NA	NA
Aurora Cannabis Inc	ACB	USD	6.96	3.90	12.53	6,948	9,318	78.2	NA	NA	NA	NA	NA	NA
Charlotte's Web Holdings Inc	CWEB.CD	CAD	18.15	9.05	22.75	1,678	1,199	NA	17.1	7.6	4.4	51.1	21.5	12.0
Cronos Group Inc	CRON.O	USD	21.92	5.12	25.10	3,892	5,113	NM	NM	37.7	29.2	NM	122.0	96.1
Curaleaf Holdings Inc	CURA.CD	CAD	10.25	1.43	26.01	3,412	3,412	NA	38.3	9.3	4.7	NM	27.8	12.9
CV Sciences Inc	CVSI.PK	USD	4.90	0.37	9.20	463	453	11.0	NA	NA	NA	NA	NA	NA
Elixinol Global Ltd	EXL.AX	AUD	3.47	1.34	3.69	161	148	NA	1.4	1.2	1.0	14.6	7.6	6.3
Emblem Corp	EMC.V	CAD	1.78	0.83	2.12	234	202	35.4	24.4	2.7	1.4	NM	18.2	5.6
Emerald Health Therapeutics Inc	EMH.V	CAD	3.89	2.04	6.35	554	504	NM	NA	NA	NA	NA	NA	NA
Green Organic Dutchman Holdings Ltd	TGOD.TO	CAD	3.69	2.06	9.64	989	789	NA	53.6	4.0	1.4	NM	NM	6.3
Green Thumb Industries Inc	GTII.CD	CAD	19.69	8.21	32.50	1,257	859	NA	13.0	4.0	1.9	NM	19.2	5.6
Khiron Life Sciences Corp	KHRN.V	CAD	4.05	0.87	4.35	308	294	NA	NM	24.6	3.9	NM	NM	15.3
Level Brands Inc	LEVB.N	USD	5.05	2.60	8.41	51	43	4.7	NA	NA	NA	NA	NA	NA
Neptune Wellness Solutions Inc	NEPT.O	USD	3.67	2.27	5.14	295	374	14.5	14.1	6.1	2.7	84.2	30.6	11.1
OrganiGram Holdings Inc	OGI.V	CAD	7.74	3.26	8.55	1,013	1,016	NA	8.2	4.3	3.2	19.5	11.6	8.8
Company Name - Coverage														
Canopy Growth Corp	WEED.TO	CAD	58.51	23.88	76.68	20,071	16,142	NA	NM	74.2	34.9	NM	NM	105.0
KushCo Holdings Inc	KSHB.PK	CAD	6.38	3.76	7.20	560	16,142	NA	NM	NM	NM	NM	NM	NM
Tilray Inc	TLRY.OQ	USD	79.07	20.10	300.00	7,367	16,142	NM	NA	NA	NA	NA	NA	NA
Turning Point Brands Inc	TPB	USD	41.00	19.11	47.00	802	16,142	NM	NM	NM	NM	NM	NM	NM
				Overall Min		50.6	42.6	4.7	1.4	1.2	1.0	14.6	7.6	5.6
				Overall Mean		2636.1	4582.0	29.8	19.4	14.9	8.0	40.1	30.0	25.9
				Overall Median		895	937	14.5	14.1	5.2	3.2	31.2	19.2	11.1
				Overall Max		20,071	16,142	78.2	53.6	74.2	34.9	84.2	122.0	105.0

Source: Thomson Reuters and Cowen and Company

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VALUATION METHODOLOGY AND RISKS

Valuation Methodology

Cannabis: Our valuation methodology is primarily based on Relative EV-to-Sales (EV-to-Sales divided by Sales-Growth), followed by EV-to-Sales.

Investment Risks

Cannabis: Cannabis is an emerging industry and is subject to regulatory headwinds. While over 50% of the population is in favor of legalization, only a few states have thus far legalized cannabis for recreational use and the product remains illegal at the federal level. Looking forward, much work and change still needs to occur in order for this industry to realize its full potential.

Risks Pertaining to U.S. Cannabis-Related Companies: If you are considering investing in a U.S. company that is connected to the cannabis industry, be aware that cannabis-related companies may be at risk of federal and/or state criminal prosecution. The Department of Treasury has issued guidance that The Controlled Substances Act ("CSA") makes it illegal under U.S. federal law to manufacture, distribute, or dispense cannabis and cannabis-related products. Many states impose and enforce similar prohibitions. Notwithstanding the federal ban, however, many U.S. states and the District of Columbia have legalized certain cannabis-related activities.

Risks Pertaining to Canadian Cannabis-Related Companies: In Canada, cannabis is an emerging industry and is subject to regulatory headwinds. While medical cannabis is legal in Canada, legislation has also been introduced to legalize adult-use sales on October 17, 2018. An initial regulatory framework has been laid out for the adult-use market, looking ahead, the category will be subject a number of potential headwinds, including taxes and restrictions on from factors and packaging.

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ADDENDUM

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Stocks Mentioned In Important Disclosures

Ticker	Company Name
WEED	Canopy Growth Corporation
GWPH	GW Pharmaceuticals Plc
TLRY	Tilray
TPB	Turning Point Brands

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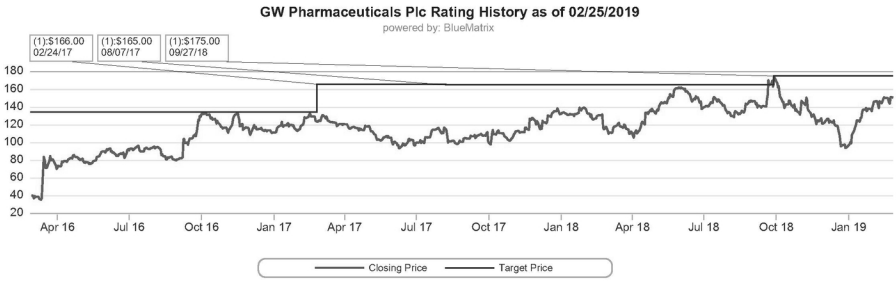

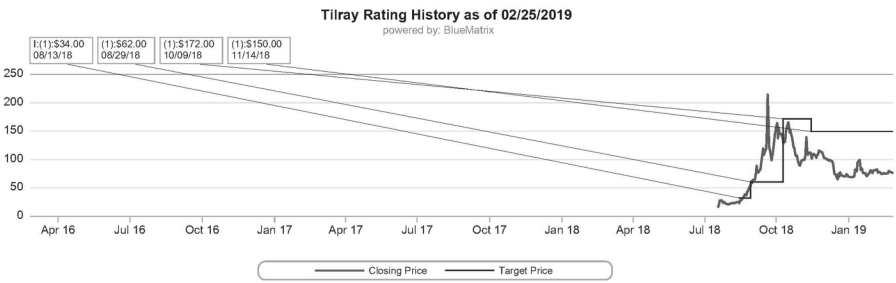

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Legend for Price Chart:

I = Initiation | 1 = Outperform | 2 = Market Perform | 3 = Underperform | UR = Price Target Under Review | T = Terminated Coverage | $xx = Price Target | NA = Not Available | S=Suspended

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Sent: 5/15/2019 12:17:32 AM
To: George Krassner [redacted]; nick kazan [redacted]; Mrisman02 [redacted]; Rebecca Risman [redacted]; Linda W. Grossman [redacted]
Subject: rather long and a few typos

REMEMBERING CAVALIER MAGAZINE

LAUNCHING A MAGAZINE

My friend Michael Simmons, who has been the editor of *National Lampoon* and *High Times,* observes that *Cavalier* hired fine scribes. A few examples: Thomas Pynchon, Philip Roth, William Saroyman, Isaac Asimov, Theodore Sturgeon. *Cavalier* was launched by Fawcett Publications in 1952.

Men's magazine *Cavalier* (motto: "For the American Male") was published the year before *Playboy* to whom it has often been compared, and back in the day tried to be seen as slightly hipper, more youthful and considered a bit more clever than its big name rival. Almost an anti-establishment *Playboy.* A slogan stated: "Your dad bought *Playboy*, you bought *Cavalier*."

I BECAME A COLUMNIST

I was invited to write a column, named "The Naked Emperor," for *Cavalier*, that was beginning to publish underground writers and artists. They paid me $1,000 a month. My first column was a report on an auction of two-inch squares from the hotel bedsheets slept on by the Beatles during their first trip to America.

There were 300 screaming young girls, off on a fetishist's holiday. Obviously, there wouldn't be enough items to go around, but it was announced that the Beatles' unwashed towels and bed linens were to be cut into two-inch squares and sold for $1 each. The price included a notarized statement of authenticity.

My second column was about Lenny Bruce—titled "Lenny the Lawyer," since he defended himself in trials He was arrested for obscene performances only because there were no blasphemy laws. I went to the bank and deposited my check, withdrawing half of it in cash, a $500 bill. Lenny was alone in his hotel room on Christmas Day when I presented it to him. And, with a large safety pin, Lenny attached the $500 bill to the outside breast pocket of his denim dungaree jacket.

AFTER JFK ASSASSINATION

In another column of mine, "Jack Ruby and His Dirty Little Secret," it began, "Lenny Bruce told me how all the night club comics used to Jack Ruby's "tattoo of a lady's *schmutzik* (translate: pussy) in his armpit." If it wasn't a fact, I was quite willing to settle for an apocryphal allusion which nevertheless crystallized the entire personality of that alleged murderer who wanted so very much to be liked.

I say *alleged* because upon Ruby's own death. Dallas District Attorney Henry Wade said he would dismiss the murder charge against him, a promise which has since been kept, although no such posthumous grace was ever officially bestowed on Lee Harvey Oswald. See, they grant you retroactive innocence only in the face of innumerable witnesses who were present at the actual event through the miracle of inadvertent televised coverage.

Now Jack Ruby's dirty little secret has been forever sealed away in his armpit by the hymen of history. Oh yeah, and at Lenny's funeral, that safety pin was still attached on his jacket.

JULES SIEGEL

Two years before Lenny's death, with his permission I published his obituary in my own magazine, *The Realist.* Before the issue went to press, he called his mother and a few others to let them know it would only be a hoax. The point was that he couldn't get work and his work was his life so he might as well be dead. And if people regretted that they hadn't helped him, well,

now they could have a second chance because he was still alive. The obituary evoked inquiries from newspapers, wire services, foreign publications, radio and TV.

"What's the meaning of it?" one editor asked me. "There's a lot of excitement at the city desk."

"That *is* the meaning of it."

A few years later, without my permission, Jules Siegel, the editor of a short-lived magazine, *Cheetah*, published a fake obituary of me. I thought it was funny. An Associated Press reporter called, and I explained that it was a hoax.

"Are you sure?" he asked.

"Of course. I would tell you if I was dead."

Siegel started writing for *Cavalier.* His first assignment was a profile of Sterling Hayden, an actor best known in *Dr, Stranglove or How I Learned to Stop Worrying and Love the Bomb.*

Journalist Adam Ellsworth described Siegel's "Goodbye Surfing, Hello God" with his most famous example of rock journalism, but his most revolutionary was his article, "The Big Beat." It appeared in the *Playboy*-esque *Cavalier* magazine in 1965 and was one of the earliest writings he'd ever seen on the development of rock and roll, from slaves singing in chains on their way to America to Bob Dylan "going electric" at the Newport Folk Festival.

Then Jules' friend, Arthur Kretchmer, became *Cavalier's* managing editor. "When the editorial director later resigned," Kretchmer said, "there was a 24-hour hiatus before the new editor arrived." Siegel and Kretchmer had been discussing the possibility of publishing an issue on rock and roll, so to make it happen, Kretchmer went into the office at night and retyped the magazine's schedule to include their ideas.

When the new editorial started, Kretchmer handed him the schedules and said, "Here's what we're working on." The new editorial director suspected nothing and the rock and roll issue went ahead. Once the laughter died down, Jules talked for a good 25 minutes about

some of the ups and downs of his writing career and how hard it is to make a living as any kind of a writer, let alone a "rock journalist." and the people who created it, seriously.

Now everybody writes about rock and roll that way. Jules was one of the people who did it first. "Goodbye Surfing, Hello God!" is Jules's most famous example of rock journalism, but I think his most revolutionary is his article "The Big Beat." It appeared in the Playboy-esque *Cavalier* magazine in 1965 and is one of the earliest writings I've ever seen on the development of rock and roll, from slaves singing in chains on their way to America to Bob Dylan "going electric" at the Newport Folk Festival.

Jules Siegel died of a heart attack on November 17, 2012 at the age of 77. He was a brilliant author, but neither *Rolling Stone* nor the *New York Times* honored him with an obituary. Not even a fake one.

COMIC STRIPS

Art Spiegelman tells me his work at *Cavalier* 50 years ago:

I was first invited into the mag to do two full-color comix pages in 1969 (when being printed in color was a Very Big Deal for me as was Getting Paid more than 25 bucks for a drawing), somehow in proximity to a big article on underground comix. It was around the time Vaughn Bode was made a regular contributor to the magazine, They were running some Crumb "Fritz the Cat" pages. All thanx to their hip, laid back and kind editor, Alan LeMond.

I also did some gag cartoons, short strips and occasional illustrations for *Cavalier* (one especially bad drawing for a story by Bruce Jay Friedman, I recall). My work in 1969, as an apprentice underground cartoonist taking too many drugs was really, really awful so I'm grateful for the editor's hip and laid-back kindness. But, hey, I was proud to be in a mag that published pieces by Pynchon, Manny Farber and you.

By the time I'd gotten incrementally better as a cartoonist in the first half of the 1970s I was regularly doing illustrations for soft-core fiction stories in *Cavalier's* low-rent sister mags, *Dude, Gent* and *Nugget* (even wrote a story or two there and got several of my San Francisco comix cronies (Spain Rodriguez, Bill Griffith and Justin Greene) illustration gigs with Alan for those mags as well.

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[Note in Wikipedia: *Maus* is a graphic novel by American cartoonist Art Spiegelman, serialized from 1980 to 1991. It depicts Spiegelman interviewing his father about his experiences as a Polish Jew and Holocaust survivor. The work employs postmodernist techniques and represents Jews as mice, Germans as cats, and Poles as pigs. In 1992, *Maus* won a Pulitzer Prize.]

COMiING AND GOING

I wrote some movie reviews for *Cavalier.* I recall that *Midnight Cowboy* was 50 years ago. I always went to two screenings. The first one I would go stoned with magic mushrooms. The second one I took notes. However, I got fired by *Cavalier.*

They declined to publish a particular column—my review of *MASH* as though it were a Busby Berkeley musical called *Gook Killers of 1970*—ostensibly on the grounds of bad taste, but I learned that three wholesalers had told the publisher they were pressured by the FBI and would refuse to distribute *Cavalier* if my name appeared in it.

On top of that, my name was on a list of sixty-five "radical" campus speakers, released by the House Internal Security Committee. The blacklist was published in the *New York Times*, and picked up by newspapers across the country. It might have been a coincidence, but my campus-speaking engagement-bookings stopped abruptly. It felt just like a film.

OH, WELL

It was over for me, but it had been fun—like the issue with only the one large red headline on the *Cavalier* cover: "BEAT 'EM SENSELESS FIRST"—THE FREE SPEECH CONTROVERSY, BY PAUL KRASSNER . . . "Ironically," I wrote, "it is this concept of the total education experience *on* campus which I believe to be the basic significance of the much-misunderstood free-speech imbroglio at the University of California in Berkeley."

The sit-in lasted till 3 a.m. Next day, October 1, 1964, ten tables were manned again, and a campus policeman approached one of the tables (manned by the Congress of Racial Equality) where a dozen persons were seated. One was singled out and placed under arrest. But before you could say nonviolent demonstration, the police car was surrounded, its captors reaching as many as 3,000 students. During the late evening, bored fraternity men gathered and tossed lighted cigarettes and eggs on those sitting in the plaza. The demonstrators responded with silence.

Next day, 450 police assembled on campus to remove the cop car and its arrested inhabitant, but an agreement to negotiate was reached and the demonstrators dispersed. One of the folk songs to come out of the Free Speech Movement incidentally, was *If I Negotiate With You,* to the tune of the Beatles' *If I Fell in Love With You.*

Over the next couple of months there was a series of sit-ins and attempted negotiations, and then, on December 2, the infamous Sproul Hall sit-in. It took twelve hours for 800 students to be arrested by some 600 instructors of a new course called Introductory Police Brutality. These were from the lab notes student took.

There was a freshman co-ed at Berkeley who—long after she had forgotten what some professor spouted during an official lecture about Dostoevsky's *Crime and Punishment*—would remember, with perhaps a twinge of frightened pride, learning from a fellow demonstrator that if she planned to go limp when the police arrested her, it would be an act of practical feminine foresight to remove the earrings from her pierced lobes in advance.

So, now in 2019, fighting over free speech has been happening heavily at Berkeley campus again. Meanwhile, Trump grabbed a pussy on the Statue of Liberty. *Cavalier,* anyone?

Date: Saturday, April 18 2009 07:20 PM
Subject: Fwd: Fw: shikh mohammed first media e session
From: Jeffrey Epstein <jeevacation@gmail.com>
To: [redacted]

---------- Forwarded message ----------
From: **Sultan Ahmed Bin Sulayem** <[redacted]>
Date: Sat, Apr 18, 2009 at 3:03 PM
Subject: Fw: shikh mohammed first media e session
To: Jeffery vacation <jeevacation@gmail.com>

Sent from my BlackBerry® wireless device

From [redacted]
Date: Sat, 18 Apr 2009 14:06:58 -0400
To : <[redacted]>
Subject: shikh mohammed first media e session

UAE Prime Minister

First Media e-Session with the Prime Minister

Dear Friends in the Media:

I write this in the spirit of good will to thank all of you for your interest in communicating with me through the official Prime Minister's Web site.

This is the second time that I have responded to your questions online; the first time was eight years ago, when Internet communications were still in the nascent stage -- although, I must say, Dubai and the United Arab Emirates had already made noteworthy progress in this field. During that initial online interview, my objective was to stimulate the interest of the Emirati community in the Internet when the use of the online communications was relatively limited.

Today the usage of the Internet across the UAE has come to be taken for granted; in fact, the Web has been adopted so extensively in both the public and private sectors that e-communications are the norm rather than the exception. We see that a large segment of our society, especially young people, believe that the Internet is the most important source of information, education and entertainment.

The UAE continues to lead the Arab world in adoption of information and communication technology according to the annual global infor mation technology report released before yesterday.

Little wonder, then, that I get inundated with questions from citizens and media alike. That's why I have chosen to meet with you via my Web site. I think hosting this encounter online will allow all of you to ask as many questions as you wish. In the last few days alone, I have received hundreds of questions from several local and regional newspapers. Naturally, there was some overlapping of questions since they came from so many different sources. Hence, I have tried to consolidate my answers in such a manner that I do not come across as repetitious.

This "interview," of course, relates to questions from the media, whose work I consider especially significant in telling the story of how Dubai and the UAE are coping successfully with the global financial crisis, and how our development plans are being advanced with the resilience and determination that has always characterized Emirati society.

I have also received many questions from everyday Emiratis, and these will be answered in a subsequent communication.

In the meantime, I hope my responses will generate positive discussion about the issues and values that Dubai and the UAE care about – the strengthening of a society that's anchored in unique Emirati traditions, and the continued building of a global city to which all are welcome, a city that is well integrated in the fast changing global commons that we all must share. Dubai is not only a catalyst of change; it is an exemplar of change. And I am proud of that, just as I am proud of the economic and social contributions that Emiratis and their well-wishers have made over these years to furthering the Dubai Vision.
Al Hayat Newspaper - Shafiq Al Asadi

Your Highness, Dubai, the famous city known for its outstanding experience on both regional and international levels, has been recently criticized for its development strategy in the light of the global financial crisis. How do you perceive this campaign and how are you dealing with it?

Criticism and negative statements do not really disturb me. We do not mind receiving objective criticism that helps us improving our services and methods. If there were negative aspects, then we will address them and work toward revamping them. But following the global financial crisis, what we read and heard was not in reference to the negative aspects. In fact it was a "media bombardment" targeted at the UAE as a model for a federal state, a successful and prosperous Arab country. And Dubai, the city that has set up a successful economic model at a global level, was under a daily attack by some Western media, as if they were in a race against time to harm the UAE.

As for the motives of the campaign, God Almighty knows. But it seems that the success of the Arab, whether

individual or state, city or a company, is seen as unacceptable. It seems that seeing=2 0distinct images of successful Arabs and Arab countries disturbs some people. They would rather stick with the distorted images of Arab stereotypes in their minds.

I need to stress here a very important perception. We are not growing in order to be a model for its highest building in the world, best airport, and most luxurious hotel, and the largest seaport and man-made islands. These landmarks and features are unique and famous all over the world. But the Dubai model is beyond that. Dubai is an Arab city with scarce natural resources but with a clear vision of comprehensive development and social needs. It is a city that succeeded through its investments in human resources, its unique geographical location, and its trade expertise. This has enabled us to achieve unmatched growth and to become the focal connection between the East and West. Dubai has proved as well the possibility of coexistence of different cultures in an open and tolerant Arab Islamic environment.

Dubai's model, which is part of the UAE model, lies in the success of the economy's diversification, and in sparking the interest of the Arab region and neighboring countries in the information and communication technology, the e-government and the knowledge economy, and in facilitating access to the people in our region to global best practices. Our international experiences in various areas are often on display through exhibitions, conferences and other activities.

Dubai's model also lies in proving the viability of investing in the region, of investing specifically in the knowledge economy and in human welfare. It has also raised the citizens' expectations in the region concerning levels of good governance and transparency, and the quality of public services and state-of-the-art infrastructure.

Dubai is about providing the highest international standards in education and health systems. It is a city with entrepreneurial spirit that entered into international investment areas and bought assets in global ports, airports and financial markets. Dubai succeeded in building a global financial center and entering into partnerships with reputed financial institutions, and was able to compete globally in the areas of air and sea transport, and charitable initiatives that were created to help developing the less fortunate countries.

These are some of Dubai's model features, which has attracted the attention of the world, and enticed the interest of the Arab region and its people, and inspired many people and motivated them. Is this the model that our critics are targeting?

I asked my brothers and myself this question and I did not expect a reply, because we are accustomed in the UAE to respond by work, not words. We believe in God and we have full faith and confidence in Him and in our people and businessmen and the many other believers in Dubai.

Abu Dhabi is also witnessing an attack since it succeeded in leading a successful Arab union and launched initiatives of a strategic and impo rtant nature such as "Masdar City.". I know that the international media have covered art initiatives in Abu Dhabi, including building an outpost of the Louvre. But one gets the impression that even in such coverage of important initiatives, there's invariably some reference or the other to discredited stereotypes of the Arab Gulf. Now the focus is on Dubai, and again the stereotypes are being brought up. It seems that any successful Arab model in economic development invites such negative treatment in the international media

To be fair, we read recently a few balanced articles reporting on what is the UAE doing regarding the effect of the global financial crisis on our region.
Al Hayat Newspaper - Shafiq Al Asadi

Your Highness, the media campaign has focused on pointing that Dubai is facing an economic crisis threatening the foundations of its economic development. What is the

actual impact of the crisis on Dubai economically and socially?

In fact, the campaign has gone much further than that. An American writer, well known for his extreme views, was so keen to project Dubai's alleged "failure" in the coexistence of cultures, that he went all the way stating that Dubai was a place where cultures break up and not where cultures meet. He reached that conclusion based on the fact that Dubai has jailed and deported a British couple caught having illegal sex on a public beach.

With regard to the fact that the global crisis effect threatens Dubai's growth and economy, I can guarantee you that those references constitute "wishful thinking" on the part of some people; they are illusions, not realities. The economic foundations and development are firm and stable; otherwise Dubai would not have been able to deal efficiently with the global financial crisis consequences. In addition to that, Dubai is not a city on its own. It is a member of the United Arab Emirates federation, which is strong, resilient and successful – a federation that is able to face the most difficult challenges.
Al Hayat Newspaper - Shafiq Al Asadi

Your Highness, the foreign media are reporting on the "bubble burst." What would you tell the people who are endorsing this view?

I keep hearing the expression of "the bubble" for the past couple of decades. In my opinion, this bubble is found only in the minds of those who often keep repeating it and do not know its meaning. The future will prove to them the truth.

Let me assure you we are fine, we have overcome the crisis with the least amount of losses. In our culture, we say: be virtuous and you will gain. That is why we always look at the half full cup of water, and when we look at the empty part, we do not moan over the void, instead we think of better and faster ways to fill it.
Al Hayat Newspaper - Shafiq Al Asadi

Your Highness, if we were saying this is an unfair campaign against Dubai then, could you explain to us how to get out of the current crisis?

The impact of the global financial crisis has been felt all over the world. It generated a state of panic in all developed economies. It was expected that our region would not be immune to the crisis, especially in view of the fact that it led to the credit freeze, write-downs at banks, deferral of mutual credits, and a freeze on lending in some of the wealthiest industrialized countries, such as the United States.

The crisis hit the world in September 2008, but I think that the panic pha se is over now, especially after the intervention of governments in many major countries to regulate financial and banking sectors, and the allocation of large sums of money to revitalize their economies. This step has enabled the summit of the G20 that was held in London a few days ago, to agree on a package of decisions and actions aimed to revive the global economy and the organization of the international markets.

For us in the United Arab Emirates, I can safely say that we have succeeded in containing the risks of the global financial crisis in record time. This is a result of the good policies of the Central Bank, and the government's action to ensure the liquidity of banks and the protection of deposits, and other actions at the local level, such as the additional liquidity that the Abu Dhabi government pumped it into the Emirate's banks and the bond issuance of $20 billion bonds.

The crisis management in addition to the decisions taken during the G20 summit have spread a high degree of

satisfaction and optimism around the world, and reflected positively on all the nations including the UAE, which has always had a strong, multi-potential and diverse economy.
Al Hayat Newspaper - Shafiq Al Asadi

The Federal Government has taken swift action to deal with the crisis, but many observers say that these actions are not sufficient to help the UAE, and Dubai in particular, to be free of the crisis?

The actions that we took at the Federal Government were really fast, well thought-out to respond to the issues and to overcome the negative effects of the global crisis. Having said that, our economy has shifted from the crisis mode to the solution. Of course, we are monitoring and following up our situation and the development of all the economic sectors through federal and local specialized committees, just as we follow developments in the global economy and international markets. We thank God; most of the indicators seem positive now and call for optimism. However, should we face future developments further actions, then we won't sit back.
Al Hayat Newspaper - Shafiq Al Asadi

When Du bai launched the $20 billion bonds and the UAE Central Bank subscribed in it with $10 billion, it was interpreted as help from Abu Dhabi to Dubai to get out of the crisis. How do you evaluate this action by the UAE Central Bank, and what about the second tranche of the bonds, which would another $10 billion?

When Dubai launched the $20 billion bonds and the UAE Central Bank subscribed in it with $10 billion, it was interpreted as help from Abu Dhabi to Dubai to get out of the crisis. How do you evaluate this action by the UAE Central Bank, and what about the second tranche of the bonds, which would another $10 billion?It seems that people are not aware of the life realities in the United Arab Emirates. Well, I welcome this interpretation because it emphasizes the depth of ties among the Emirates and ensures the strength of our Central Bank and its confidence in Dubai's economy.

We have announced bonds totaling $20 billion, raised half of it as a public offering, then the Central Bank subscribed to the full amount; we will pay an annual interest rate of 4 percent annually on the five-year coupons. What we put forward, meets our needs at this stage. Should we need the second part – that is, $10 billion -- we will then announce it to the public; we know that it will be of interest to many.
Al Hayat Newspaper - Shafiq Al Asadi

There are talks that Dubai would be selling few20state owned companies and that Abu Dhabi will be its partner in many projects in place or under implementation. What is the truth in this?

These rumors and speculations turned into news and headlines in several prominent international newspapers. Rest assured that between Abu Dhabi and Dubai, there is no buying and selling. Everything in Dubai belongs to Abu Dhabi and Dubai and the rest of the UAE, and all that is in Abu Dhabi belongs to Dubai and Abu Dhabi, and the rest of the UAE. Let me remind you about what The President, His Highness Sheikh Khalifa bin Zayed Al Nahyan, said last month about this matter. He said that the impact of the current global financial crisis on the national economy of the United Arab Emirates has been misunderstood and exaggerated. He said that the relationship between members of the UAE Federation has been misrepresented.

"We are … one strong, coherent body. As for the measures taken (at) the federal or local level, to address the

crisis, they were declared and (made) clear-cut. There was no need to unleash predictions in this respect," His Highness said.
Al Hayat Newspaper - Shafiq Al Asadi

YYour Highness, do you feel that Dubai is threatened as a result of the current crisis?

We did not at any time feel that the financial crisis is a threat. The worst is over and behind us. Since the eruption of the crisis we did not hear of any state-owned bank or company announcing bankruptcy. None of the economy sectors was snapped. We are currently implementing plans and programs of action to benefit from the lessons of the crisis and ensure the recovery of the negative effects.
Al Hayat Newspaper - Shafiq Al Asadi

The recent murders that occurred in Dubai seriously raised the issue of security despite the speed of discovery of the perpetrators of these crimes. How would you respond to the statements that the prevention of the assassination should come first?

Of course, prevention is better than cure. To prevent killing is a very valuable act. Often, people hear about the cure procedures, but they do not hear about the actions of prevention. Murders that took place in Dubai in recent months, were fewer than half of one hand's fingers -- and this is not to minimize the seriousness but just to confirm that it is an exception and the rule is that the UAE, including Dubai, is one of the most secure and stable countries, and this would not happen without having our authorities taking preventive measures of utmost importance. In any case, the crime rate in the UAE, including Dubai, is one of the lowest in the world, and we are working to remain so, and the murder of two known figures will not change the reality.
Al Hayat Newspaper - Shafiq Al Asadi

With the brunt of the global financial crisis on Dubai, we noticed the continuation of most of the art, culture, media, sports, and cultural activities, in addition to the enormous financial awards being bestowed by various organizations for business efficiency, among other things. How do you explain this?

These activities were scheduled prior to the crisis, and some of them are annual events such as the Dubai World Cup, the Arab Media Forum and Arab Journalism Award. Some new events were launched, such as the World Poetry Festival -- but I don't know why you are wondering about the continuation of those activities. In fact, it would be a strange thing to cancel them. With regards to the prizes, they remain as were previously announced. Do you suggest in your question that these awards have become a burden to Dubai? If so, I promise we are in a good shape. All our projects under implementation have not ceased, and we are paying our loans and debts on time, and all suppliers and contractors have begun to receive their entitlements.
Al Hayat Newspaper - Shafiq Al Asadi

Your Highness, the media is focusing currently on the large layoffs from the companies working under the umbrella of Dubai Holding. What is the truth regarding this matter, especially that the issue is going to reach its peak in the coming months?

The collapse of the global debt markets has pushed all the big companies worldwide to review their plans, expe nses and strategies and urged them to restructure their managements including the human resources. "Dubai Holding" is not an exception at all. All its companies work on a commercial basis, and it is normal to lay off the

employees who do not have roles to play during this situation. I am not sure why people are expecting a peak in the coming months. The whole process is a restructuring course that was well received by all Dubai Holding employees.
Al Hayat Newspaper - Shafiq Al Asadi

Your Highness, Dubai was accused in the media that laid-off Arabs descend from a specific nationality, what is the reality?

Rumors feed on human emotion. Verifiable facts, and even simple common sense, have little or nothing to do with the way a rumor spreads. I would say that due to the steep global crisis effect on domains such as PR and advertising, which employ by coincidence a large number from a particular nationality, or the construction sector which also employs a large number of architects from one nationality, there is absolutely no focus on laying off any Arab or non-Arab nationality.
Al Hayat Newspaper - Shafiq Al Asadi

Your Highness, your recent visit to Russia complements your strategy in visiting the strong economic countries worldwide such as Germany and China last year. Do you think that these visits are still useful nowadays? Are you planning to20continue this approach and what is the objective of those visits? What was the outcome of your last visit to Moscow?

This is a strange question. We are pretty sure that this crisis will not last forever, and that it will end. The UAE has always had good relations with all countries around the world and especially the weighty economic countries. Our duty is to work toward developing and enhancing those relationships. In fact, during global crisis countries should broaden those visits and enhance their bilateral relations especially since this crisis may result in forming a new economic and political world construct.
Al Hayat Newspaper - Shafiq Al Asadi

Your Highness, do you think that the current crisis would impose new changes on the federal and local levels in the UAE as rumors are spreading regarding a change in progress in the cabinet?

It is obvious that things do change. Whoever does not take up the new situation and cooperate positively with it for the benefit of the nation and nationals would be incompetent. However, it is you who's saying that there are rumors that a change in the cabinet is under way.
Al Hayat Newspaper - Shafiq Al Asadi

Your Highness, people who are aware of the relationship between Dubai and Abu Dhabi say that there is no need to worry about the effect of the crisis on Dubai because it relies at the end of the day on the financial strength of Abu Dhabi, which owns the biggest sovereign fund in the world. What would you say?

Those people know well that they can't bracket the relationship between both Emirates into just a financial relation. The money element is a very minimal component in a superior relationship built on family ties with a unity soul, with "tolerance" essence and foundation concurred by both Sheikh Zayed and Sheikh Rashid on 18

February 1968, when they met and issued a historical statement announcing the establishment of a federal union between Abu Dhabi and Dubai and called on their brothers in the neighboring emirates to join the union. Do you know what it meant for us to stand few days ago with His Highness Sheikh Khalifa at the "Union House" under the UAE flag, and in the same place where our ancestors stood the day of the UAE announcement? Would you be able to appraise our feelings at that moment? These are moments that you cannot ponder easily. They are priceless.

Those who know the truth about the Abu Dhabi and Dubai relationship and all the other Emirates, are well aware that the federation of the UAE is a choice of wise and liberated people who are guided by their heart, beliefs and wisdom. They are people who God Almighty described as ready to sacrifice their souls for others. Again, I remind you of what His Highness Sheikh Khalifa said. "We are … one strong, coherent body.
The National Abu Dhabi Media Company - Matt Slater

The United Arab Emirates is a federation but there is a tendency, particularly in health and education, to allow individual emirates to dictate policy. Will this continue or will the federal government seek to establish a more unified national approach on domestic policy?

None of the seven emirates develops its own independent health and educational policies. All legislation and policies related to education and overall health are developed at the federal level. What is happening is precisely the expansion of the decentralized planning and implementation in order to raise the efficiency of education and medical services. This is what we see in industrialized countries, such as the United States and the United Kingdom, Germany, Switzerland and others. Our experience in education foundered for many reasons, and we are racing against time to make up for what we missed and to create sustainable development in the education sector. Of course, the process of development widens then to diversify the teaching methods and to attract broad participation of the private sector.
The National Abu Dhabi Media Company - Matt Slater

The Federal National Council has expressed concern that its views are ignored by the UAE cabinet and that, in reality, they have little power. What role do you see the FNC playing within the country's decision-making p rocess, and in what way is the Council likely to evolve in the future?

We never received any complaints against the government for ignoring the views of the Council; instead we always receive compliments and appreciation about cooperation. We constantly express our appreciation to the Council for its role in the decision-making process. In fact, draft laws first have to pass through the FNC for review and recommendations, and later sent back to the Cabinet for consideration and approval.

The Council is also empowered to summon and to question any Federal Minister regarding Ministry performance. We believe in the importance of the Council, and we respect its effective role in the process since its inception. The current session marked a beginning of change in the Council in the method of selecting its members. We witnessed for the first time the formation of election associations in the UAE to elect half the members of the 40-member Council, with 22 percent of members of the Council being women, one of the highest such rates in the world.

In any case, since the founding of the UAE we chose the approach of gradualism. We in the UAE do not work with a "burning stages" style. Our laws and procedures are in line with reality and our reticence. We believe that our people are satisfied with this approach that results in prosperity and stability.

I am well aware of the foreign reports that criticize the way that the UAE deals with the issue of democracy. Th ese reports assess our system on the basis of their own history and cultural experiences, and the experiences of their countries – some of which have been democracies for more than 300 years. The easiest thing is to hold general elections and to place ballot boxes and to disseminate images and words about the greatness of democracy.

But our leadership does not look for fame, and does not import ready-made models that may be valid for other societies, but is certainly not suitable for our society. Some months ago, we celebrated National Day, our 37th. Do you know how we used to live before? Do you have any idea about the state of education and illiteracy, infrastructure and public services? Do you know the details of our society's infrastructure and how it was developed? Today, after the tremendous achievements in various fields, our people have full confidence in the process of empowerment -- empowerment of the economy, women, the administration, the and culture as well as political empowerment within our traditions and culture. The midterm elections of the members of the Federal National Council is a very important step in the progression toward what is acceptable to the interests of our people and our homeland.
The National Abu Dhabi Media Company - Matt Slater

The issues of labor rights and human trafficking continue to adversely affect the image of the UAE abroad. Whereas there are clear policies aimed at aligning the20UAE with international best practice on these fronts, the actual rate of prosecutions of those violating rights on these fronts are generally seen to be low. What is being done to address this?

I want you to look at the results of the last meeting of the International Committee for Human Rights in Geneva, and to look at reports that refer to the huge progress in the UAE with regard to these issues. Even the periodic reports issued by the U.S. State Department recognize this progress, particularly on the issue of human trafficking.

We care about the rights of workers; we care about reinforcing the freedom of people. Our aim is not to win the approval of international reports, but we are keen to promote human rights and also deepening the values of social justice and tolerance. We are keen to provide a model for Arab and Muslim countries that adheres to religious and cultural frameworks; we are keen to continue to interact with the international community. We want the respect and cooperation of all. Our religion and our values and ethics do not accept any violation of human rights and of people -- no matter where they work and where do they come from and what their belief and religion are. It's in our nature not to condone injustice, and we sympathize with victims and needy people. We have very active charitable institutions operating in a large number of the less fortunate countries. We cannot accept that any person, man or woman, would be defeated in their quest20for human dignity. As for the number of cases submitted in the courts for prosecution, I would say that it reflects the reality and it is considered to be high in comparison with the number of the UAE population.
The National Abu Dhabi Media Company - Matt Slater

Your Highness, you are Vice President and Prime Minister of the UAE, Ruler of Dubai, founder of the famous Godolphin horse-racing stable, sportsman and poet. How do you juggle your political and non-political roles, and what do you do for fun?

The day has 24 hours or 1,440 minutes, or 86,400 seconds. For me, this is sufficient time for work, hobbies and sports. It works if you respect time and you know how to organize your schedule. Whoever enjoys his work, it seems that you add five days to your week. I enjoy my work, which is my existence in my life: the service of my homeland and my people. My joy increases when I see the progress and prosperity of my homeland and my

people. I do not work alone, I have a team whom I lead and encourage and on whom I rely. Within each human being there is an inexhaustible source of potential, but there is no human being with unlimited capacity. What is important is to know your capacities -- and how you should use them.

For fun, I spend my time with my family at the beach or in the desert. I love to read. I ride horses. My love for horses is indescribably enormous; it is part of20my soul and history.
The National Abu Dhabi Media Company - Matt Slater

How are the Federal Government and the Government of Dubai cooperating to re-tool the development model to address what many economists predict is a permanent reduction in credit available from international capital markets

Whether the available global credit declines or increases, the model of our economy is stable and is developing within the framework that we created earlier. Dubai's needs for credit tend to decline and the government's loans, which are modest, compared to the size of the economy, all concern investment in infrastructure, not current expenditures or operational budgets. The majority of our infrastructure projects are of a long-term productive nature, such as the Dubai Metro, the expansion of the power generation station, and so on. With regard to the loans of state-owned companies -- they are purely commercial in nature, and their calculations are based on the cost of the loan and the return on investment. The global financial crisis has affected the liquidity of the companies, and we believe that it is only a temporary impact. We have sufficient means to provide the necessary liquidity for these companies. I would like to stress that Dubai's economy is part of the UAE economy, and we cannot in any way deal with the situation as an independent entity. I will give you one example: We say Abu Dhabi banks, Dubai banks and Sharjah banks. These terms relate to the location of the headquarters only, since all banks operate in all the seven Emirates, and are subject to fiscal and monetary policy overseen by one body, and one central bank. In any case, credit is always available, and even a few months after the financial crisis, it had been available. Of course, this does not mean that all the available credit is desirable. This issue is a subject to extensive studies and discussions and to cost-benefit equations.
By Al-Sharq al-Awsat Daily

The question of population demography has been a source of worry to the UAE nationals, as it must certainly worry Your Highness. You have announced some initiatives in this regard, uncovering a few of them. Could you tell us more about these initiatives?

This question is important because of its ramifications and interconnection of its economic, social, and cultural dimensions. His Highness the President of the UAE has defined our approach toward this question. He has said that we have a positive outlook toward the demographic structure, showing the ability of our people and state to mix this human quantity and variety in a human framework, capable of creating a model highlighting the power of human interaction in the process of building and raising our state to assume an advanced position on the level of civilization and development. Such a model will help us in gaining the respect and appreciation of local and in ternational organizations for our human and civilized treatment of all residents in our country, providing incentives for them to take active part in the development process of the UAE.

This vision, as defined by His Highness the President, does not remove from our sight the necessity of preserving our national identity. This was the starting point which led to the formation of a high-level committee, headed by the minister of interior, to deal with the question of demographic structure. We highly appreciate the work of this committee, which drew out a number of initiatives to deal with this question and take active measures in this connection. We are preparing other measures and decisions within our declared and transparent policy for dealing with the question of demographic structure in a civilized manner, without

violation of our human and international commitments, ensuring the objective of variation of the demographic structure in our country.

Naturally, our children and new generations will remain the actual solution for this question. Hence, the development of education, the competencies and capabilities of the UAE nationals will remain our main priority. We are optimistic about our youth, and proud of their spirit of national belonging, of their growing realization of the importance of self-reliance and active participation in building the homeland. I follow their activities and expect a great deal from them, and ask them to double their efforts in learning and enhancing their competencies in various fields, in20orders to become a distinguished group eagerly sought after by public and private sectors. We are eager to increase the rate of Emiratization in government and private sectors. I informed the Cabinet last march that the rate of Emiratization in the ministries has not reached the targeted level, as it did not exceed 54 percent and 25 percent in the Federal Authorities. I gave directives to prepare a study to denote the reasons for such a situation in order to draw suitable programs to fill this gap.
By Al-Sharq al-Awsat Daily

Almost a year ago, Your Highness introduced a major reshuffle in the Cabinet. You mentioned that any minister is liable to change. Is there a plan for a cabinet reshuffle soon?

There is a fact which should not be absent from the minds of people – that is, the government is at the service of the people. A reshuffle is introduced when there is a need for it, and when we find that it suits an active handling of the need of national demands, to ensure the power of the union to achieve the objectives of its strategy, and whatever objective that may come up to meet the actual developments. I still say that any minister or a man of responsibility entrusted with him is open to replacement by another one who is more capable of shouldering that responsibility. The basic reference in any decision of this type is the criteria of performance and level of fulfillment of plans for development projec ts.
By Al-Sharq al-Awsat Daily

Frankly, people outside the Emirates think there is a kind of sensitivity among the seven Emirates. With reference to the federal system adopted by the state, how do you respond to that?

I do not understand what you mean by “sensitivity” and the relation of the word to the federal system. But I know the reason behind your question: it is the media reports which tried, in handling the reflections of the international financial crisis on the UAE, to place hurdles and fabricate differences between Abu Dhabi and Dubai. These are vicious attempts that ignored the way the UAE faced the repercussions of the global financial crisis and the superb performance of our federal entities, under the leadership of His Highness, the President of the UAE. The performance was excellent, and it presented a new proof of the capability and power of the federation to face difficult challenges. Anyhow, since you brought the subject up, it is useful to remind everybody that the seven Emirates chose the federal system, realizing that it is the most viable system to survive and develop. The founding fathers had wisdom, vision and a future perspective. Whoever knows the history of the area and its situation prior to the establishment of the union will realize the great achievement of the union in the establishment of the UAE. If the results are the test, then look at the advance and achievements of the UAE20after 37 years of the Union. The UAE is a state of institutions governed by a constitution, which covers the allocation of responsibilities to local and federal authorities. Like all federal states, the Federal government is concerned with all the sovereign affairs, whether related to defense policy, the armed forces, national security, foreign policy, and financial policy, legislations related to justice, economy, labor or residence of foreigners.

Among the most important historic achievements we take pride in is the building of the national Emirati identity which did not exist before the rise of the Union state. This identity settles deep down in the souls of all Emiratis, runs in their blood-veins, and fills them with feelings of dignity and loyalty to their country, the UAE.

Every citizen and person of responsibility in the UAE puts his Emirati national sense of belonging above that of his own area. Basically there is no conflict, but integration, between the two. When a person introduces himself as coming from Abu Dhabi, Fujairah, or Dubai, he is not unlike an Egyptian who introduces himself as coming from Cairo, Asyut, or Alexandria, or a Saudi, who introduces himself as coming from Riyadh, Makkah, or Dammam.

Unfortunately, some people who do not know the Emirates and the facts of life there, pass judgment on what they do not understand. We are, in the words of my brother Sheikh Khalifa, members in one body, strong and held together. There are no sensitivities among the Emirates, but t here is mutual cooperation and help within the one state, the one national identity; and at the same time, within the one state there is room for competition in the fields of good deeds achievement, excellence, and the service of the country and citizens.
By Al-Sharq al-Awsat Daily

Do you support increasing the scope of the federal government's authorities while decreasing those of local governments towards the overall welfare of the UAE?

There is no conflict between the local and federal authorities. There are federal and local roles which are clearly articulated by the Constitution of the UAE. All sovereign issues fall within the jurisdiction of federal government, represented by His Highness, The President, Members of the UAE Supreme Council, The Cabinet, The Federal National Council, Federal Law.

The federal government enjoys full authority to carry out its mandate articulated by the Constitution. Extended or limited scope of authority is not a theoretical issue. Meanwhile, promoting non-central governmental models and offering more authorities to local governments is now a growing trend in different parts of the world, even in single region state. Decentralization has proven quite successful in handling development requirements, enhancing government performance and increasing productivity of public organizations.

In the UAE, we are very keen on ensuring complementary roles and responsibilities among ministries and federal authorities and20the local departments and establishments towards achieving highest government performance levels across the UAE.

By Al-Sharq al-Awsat Daily

In times of crises, Dubai always comes into the world's focus. Are you concerned by international reports highlighting Dubai's economic shortcomings during the global financial downturn?

We are completely aware of our capabilities and we don't overestimate our abilities. Dubai's success in introducing a unique developmental model has gained remarkable international recognition. As you know, success implies a certain burden that cannot be avoided. The international focus on Dubai is absolutely normal. During crises, people usually turn their attention to those who have proven a successful track record. The current crisis has brought Dubai's developmental model with all its successes into a tough test. Some have speculated that Dubai will fail this test, simply because they do not know the UAE nor what Dubai has achieved based on solid foundation of knowledge, expertise and business ties across the globe. Dubai's achievements are part of the UAE's remarkable progress. I know that some people from outside the region have wished that

Dubai model will go down the river. I am fully aware that some financial and economic circles were not happy with the progress we managed to achieve on various tracks including investment, aviation industry, IT and global competition in mana ging and financial markets.

The UAE has proven remarkable competency in addressing difficult questions imposed by the global financial crisis. I strongly believe it won't be long before international focus will shift from what is claimed to be Dubai's shortcomings to Dubai's and the UAE's overall success in passing this difficult test.
By Al-Sharq al-Awsat Daily

Almost a year ago, and during your visit to Asia, you warned against the global financial crisis. Why precautionary measures have not been undertaken to avoid negative impacts of this crisis on both Dubai and UAE?

The crisis have taken the whole world by surprise and evolved in tremendous pace. During my visit to Asia, I had warned against turmoil in financial and commodities markets, marginalizing the role of international financial institutions and potentials that these institutions fall short from fulfilling their expected roles in a world where all international markets became very much related, turning into one huge global market which does not follow any international rules, regulations or supervision.

I had urged leading world economies to move swiftly and reconsider roles and mechanisms of international financial establishments and institutions, especially the International Monetary Fund -- and that what exactly the G20 summit did last month earlier this month.

Regarding the precautionary measures, I believe that no preventive measures neither i n the UAE or any other country in the world, would have provided the desired immunity from the ramifications of the global financial meltdown. The UAE's solid economic structure, efficient performing establishments, adoption of a balanced model of conservative banking policies overseen by the Federal Central Bank and liberal economic approach, were the key elements that enhanced the country's ability to survive the negative implications of the global crisis and prevented any case of bankruptcy in any of the country's banks or major corporations. The impact of the crisis on our economy was significant during the last quarter of 2008, yet it was not as harsh as on other major economies.
By Al-Sharq al-Awsat Daily

Despite Dubai government officials repeated rebuffs of bailing out some companies to Abu Dhabi, speculations in that regard have never stopped. Isn't normal for the Emirates to cooperate among themselves to overcome such difficult times?

Cooperation among the seven Emirates has never stopped and they don't wait for crises to show this cooperation. There are several joint ventures between Abu Dhabi and Dubai. Founders and stakeholders of most of the UAE Public Joint Stock companies are from Dubai and Abu Dhabi. Abu Dhabi investors have huge investments in Dubai and vice versa. Dubai has always welcomed business and investments from across the UAE.

Regarding the speculations you referred to in your question, they will always remain just speculations. I believe they are meant to be evil gossip as part of a vicious campaign against Dubai model. These speculations were not only refuted by Dubai government officials but also by His Highness the President of the UAE last March.
By Al-Sharq al-Awsat Daily

Do you believe that the UAE economy will contract this year? Or will it achieve certain

growth? And at what percent?

We are confident that our national establishments' abilities, combined with the economic measures undertaken by the government, will lead to economic growth this year. Yet, we expect that growth may not come at the same rate of pervious growth records we sustained over the past few years. While speculating global economic contraction of 0.5 percent, international financial bodies forecast a slight growth for the UAE economy. Other forecasts speculate a 3 percent growth for the UAE economy.
By Al-Sharq al-Awsat Daily

Maybe every cloud has a silver lining. The financial crisis has restored balance to the markets following years of inflation which posed a threat to Dubai's and the UAE's economies. Do you see this tough correction, for instance to the real estate market, a good solution to a problem that could have escalated in the future?

Sometimes opportunities are born from the wombs of crises. The most important thing is to focus on the future and develop appropriate frameworks that guarantee highest levels of performance on heels of the crisis. Measures undertaken by the government on both local and federal levels will ensure that we shall emerge from the global financial crisis with least damage. The UAE has proven remarkable ability in facing and overcoming previous crises. Specialized committees and task forces are closely monitoring the development of the global crisis and analyzing its impacts on our economy and subsequently propose action plans to resiliently cope with these ongoing changes.
By Al-Sharq al-Awsat Daily

Many rumors are targeting Dubai claiming it has turned into a ghost city and that tens of thousands are being laid off every week. Don't you feel upset about these rumors and the way the impact of the crisis has been perceived outside Dubai?

Actually, we don't pay attention to rumors and our response always comes in actions rather than words. As a matter of fact, Dubai visitors these days are surprised by these rumors and I've met with many of them recently and they expressed their amazement at Dubai's traffic jams, overbooked hotels and crowded markets.

Dubai's success -- which it has sustained over the past years -- is the true reason behind this type of mixed reports. Those who spread such rumors -- are they aware of the fact that global nature of Dubai makes it more sub ject to impacts of global changes than any other city? We totally endorse freedom of expression but we always urge responsible freedom that promotes principles of integrity and objectivity.

It is truly sad to find international publications that have usually boasted about factual and precise reporting issuing articles based on mere rumors and baseless speculations. We are fully aware of the hidden fierce global economic competition between different parties who are in the same line of business. When a city or a country decides to integrate itself as an effective international player, it should not expect an easy journey full of roses and good wishes.

Do you know how many major international airlines are closely monitoring Emirates' performance? Do you think that international port services companies are happy with the success accomplished by DP World in managing and operating dozens of ports around Europe, Asia and Africa? Do you expect international financial markets are pleased with Dubai Financial Market's success in its accusation of some of the world's most important financial markets in the world?

I will tell you more. Emirates Airlines' successful model has not led only to achieving an internationally recognition but also has induced the launch of other Arab airlines that followed the same model. Emirates has encouraged many established Arab airlines to enhance their fleets and upgrade their services. This has ultimately led to increasing Arab airlines' share of the in ternational travel market. Leading by example, Emirates has set new benchmarks for quality services not only regionally but also internationally. One can only gain world recognition by proving success and ability to take the initiative, yet this recognition may not necessarily reflect acceptance.
By Thabet Amin Awad of Al Ahram Egyptian newspaper

There is no doubt that good planning is one of the key factors behind the success of the UAE, backed by the close monitoring of the ongoing challenges and opportunities. In your plans, what are the challenges that you foresee? What is the country's level of readiness to address them?

Humans face challenges throughout their lives. Through commitment to proper planning of projects and programmes, and following up on their implementation, challenges can be successfully addressed. It is also crucial to anticipate challenges without ignoring any possibility. Yet, there are some unforeseen challenges that originate remotely but influence us -- as in the global financial crisis that erupted in the United States and spread to the economies of developed countries and the rest of the world. One must be prepared to effectively deal with the implications of such challenges to one's country, economy and security. We, in the UAE, are aware of the challenges that we face and are always prepared for the worst, and are also willing to face whatever unforeseen developments regardless of their magnitude and im pact.
By Thabet Amin Awad of Al Ahram Egyptian newspaper

You have always stressed that the main challenge facing the Arab world, is that of the development of human resources in the knowledge era. Do you believe that the current education systems are equipped to prepare a new generation that is able to face this challenge and How?

I am not in a position to assess the efficiency of the Arab educational institutions. But a common concern across the Arab world is the poor education systems at both school and university levels. The international rankings of the Arab universities are unsatisfactory to both the keen learners as well as the academic institutions.

Yes, the main challenge facing the Arab world is the challenge of human development in the era of knowledge. Without the development of strong education systems, we will not easily achieve the desired development. Despite the importance of the state's role in the development of education, the development effort is the responsibility of society as a whole; the State must lead these efforts and involve the broadest segments of society. Isn't strange that we approach the second decade of the third millennium with the average percentage of illiteracy in the Arab world more than 30 percent?
By Thabet Amin Awad of Al Ahram Egyptian newspaper

Amid the growing global crisis and in the latest G20=2 0summit, many were demanding a re-consideration of the global economic system, and declaring the failure the entire system of capitalism. Would the United Arab Emirates -- with its regional and international reach -- consider a new financial direction, such as the Islamic banking system as a substitute, even temporarily, to the current global economic system – which is currently deteriorating?

The United Arab Emirates, on its own or through the GCC, the Arab League and the specialized international institutions, plays an integral role on this front. The capitalist system did not fail. What has failed is the excessive economic liberalism, which pushed to minimize the intervention of the regulatory government institutions in the markets and banks' activities.

Certainly the world is witnessing the birth of a new economic and financial order. The results of the G20 summit are a prelude toward this end. However, consensus on the format and the content of this new global economic system would not be reached soon. Different factors determine the future of this system, including growing global competition and conflicting national economic interests. No party would easily give up its position and gains for the benefit of the global economy recovery.

As for the suggestion on the Islamic banking, it is of interest to the global banking sector. However, to be a substitute to the current economic systems, even if only temporarily, is a much more complex approach, which relates to the nature of economic systems, the size of the economies of nations, and the size of Islamic banks in the banking sector worldwide. As you are aware, there are a lot of factors that govern this, such as the distribution of the economic, military, scientific and social powers in the world, as well as the competitive nature of civilizations, and the strong links between the civilizations and religions.
By Thabet Amin Awad of Al Ahram Egyptian newspaper

There are many other positive aspects of the global financial crisis which were embodied in refining the current competencies, reviewing the need for expatriate expertise, and strengthening the bonds of the federal entities that supported the UAE. In your opinion, what are the lessons learned from this crisis both on the local and federal level?

There are many lessons to be learned from the crisis, the most important one being the assertion of the state's role in regulating and monitoring the overall economy and markets, and confirming the fact of the global economy's unity, in addition to the unification of the global market. The widening scope of the crisis, which includes all parts of the world, confirms this unity and the common international pursuit. In addition, President Obama's public statement, which verifies that the United States cannot overcome the global crisis on its own, is further confirmation of the unity of the economy and the market. Other lessons learned from the=2 0crisis is realizing the urgent need to develop the regulations, terms of reference and working mechanisms of international financial institutions to be commensurate with the unified markets and economies, and the involvement of many influential players.

In the United Arab Emirates, we perform a wide range of reviews through specialized federal and local committees which are well aware that within the challenges of the crisis, remain many opportunities. The first opportunity to be seized is to benefit from the lessons learned from the crisis, and be prepared to deal efficiently with the world after the crisis; a world completely different than what it was before. As for the forces of federal entities, the fact is that the strength of these entities is what enabled them to cope with the crisis and contain its negative effects.
By Thabet Amin Awad of Al Ahram Egyptian newspaper

You have said that "our vision is clear, our goals are obvious, our strengths are great, our will is strong and we are ready. We want Dubai to be a global center of excellence, creativity and leadership, and we are able to achieve excellence, creativity and leadership." Do you still stand by your vision? If yes, how so?

Yes, we still stand by it. Plans, programs and projects may alter, but the vision does not change. We want the UAE and Dubai to be a global center of excellence, innovation and leadership, and we are indeed on the

rightful=2 0road. You ask how? I tell you: the global financial crisis is a challenge we have faced and surpassed in its most difficult stages. We are insistent on developing the education and obtaining excellence in all our projects and our work, in addition to protecting our favorable environment for innovation and leadership. What we have achieved over the past 10 years is characterized with excellence and leadership, and we are capable and determined to achieve what is more excellent, innovative and prominent in the future.
AL ITTIHAD

Your Highness, you asked the Ministry of Finance last year to prepare the federal budget of the State 2009. The early announcement prior to the global economic crisis has resulted in a deficit-free budget. Would the global crisis have implications on the 2010 budget, particularly with regard to the basic needs of Emirati citizens?

In the last three years, the federal budget was issued early and before entering the new fiscal year. The submission of the budget for 2009 without a deficit is because its main provisions have not been affected by the global financial crisis. I also do not think that 2010 budget will be affected. We still have seven months for the year to end, and in my opinion this is quite a long period -- we may see by the end of it some positive indicators that would help in accelerating the recovery of the global economy.
AL ITTIHAD

There are those who say that the senior positions in Dubai are granted to a few selected people, which is described as the phenomenon of the "Super Man." How would you comment on this?

My answer is that all positions are available to competent Emiratis and we are very keen on rejuvenating our system. The "Super Man" phenomenon that you are talking about does not exist in our organizations and institutions. I am aware of those reports but would invite you and others to conduct a search within those senior positions to discover the truth on your own.
AL ITTIHAD

In light of the global crisis some companies announced the postponement and rescheduling of some projects. What is the status of the infrastructure projects undertaken by the government subsequent to the changes in the strategic plans?

We will continue working on the infrastructure projects without any delay. What is currently under implementation will be completed, while we will re-schedule the new projects. The changes of the strategic plan will be announced as soon as the committee finishes reviewing them. Plans are always subject to change in normal times and in times of crisis.
By Al-Khaleej Daily

Despite the competitive investment environment enjoyed by the UAE, with its advanced regional advantages, there are some aspects of the legislative environment that do not quite match the levels of development and state of the national economy. Do we expect any updating of the present laws, soon?

The economy is like a living being, whose demands and needs change with constant growth and development.

Though we realize this fact, the Council of Ministers has lately decided to establish the Emirates Council for Competitiveness. Its task is to develop strategies and suggest policies and legal frameworks that can support the competitive environment in the light of local, regional and international variables. These frameworks serve the objective of comprehensive development, and protect the Emirates position among the most competitive states on the international arena.

The Council consists of a number of ministers concerned with this question. It is headed by the Minister for Cabinet Affairs, and includes the Ministers of Economy and Foreign Trade, Education, Labor, Health, the Minister of State for Foreign Affairs, and for Financial Affairs. In addition, there are seven representatives of administrative boards in the local governments, the chairman of the Union of Trade and Industry Chambers in the State, Directors of Trade and Industry Chambers in Abu Dhabi and Dubai. We are confident that the Council is able to draw strategies and legislative frames to secure the desired development of the competitive capacity of the UAE.
By Ro'ya Al Iqtesadiah newspaper

In the first quarter of t his year, accelerating economic events have generated pessimism about the future of the global economy and its growth. There are conflicting reports in the assessment of the national economy, and we read some of the studies questioning the continuation of Western-style development plans and their future in the region in light of declining oil prices and the global crisis. What is the assessment of Your Highness on the national economy today, can it be maintained at the level of growth in the light of the retreat of oil prices? What is the policy that the UAE will use with regard to the latest developments of the global financial crisis?

Our economy is strong and its potential lies in its great diversity. The proportion of oil in the UAE's GDP is less than 30 percent, and this reduces the impact of oil price fluctuations on the national economy. I agree with you regarding the presence of many pessimistic reports on the world economy, but it's an exaggerated and unrealistic pessimism. Countries with the largest economies are seriously committed to rehabilitating the economy, while the summit of the Group of Twenty came out with encouraging results after meeting in London recently. Our hope is to commit ourselves to the implementation of all decisions. In fact, the negative vibrations will decrease, and will be substituted by cautious optimism. As for the levels of growth, few states in the world are likely to maintain high levels of growth recorded in recent years. We in the UAE wi ll achieve economic growth rates lower than those recorded in previous years.
By Ro'ya Al Iqtesadiah newspaper

Attracting foreign investment was among the priorities of the UAE. Today, the "flight of foreign investors" from the UAE is widely discussed in the media, and is supported by both local and official reports. Does Your Highness really think that our national economy's dependence on foreign investment leads to future risks? In the frequent talk about the global financial crisis, does Your Highness have new plans to strengthen, develop or restore foreign investments to the country?

We cannot use the term "flight of foreign investors" because there has been no "flight." What happened exactly is the drought of liquidity across the world immediately after the collapse of the American investment bank, Lehman Brothers, which marked the beginning of the global financial crisis. However, with this drought, the compilation of available sources of liquidity became the primary concern of investors, banks, and financial institutions throughout the world. Sizeable withdrawals, deposits and liquefaction of all financial centers

occurred in the capital markets in the world.

With regard to your point that the attraction of foreign investment has been among the priorities of economic mobility in the UAE; it is an inaccurate assumption. Investment plans have no limits or boundaries. There are foreign investments in the UAE, and the=2 0UAE in its turn has countless investments in many regions of the world. Investments imply promising opportunities in a favorable environment. This is what attracted foreign investment to the UAE, and the investment environment remains favorable in the UAE; the opportunities are still promising, and the UAE is still the most important regional center for business and international trade. Today, it is more promising than ever before, and the advent of smart investors to the UAE has not stopped.
By Ro'ya Al Iqtesadiah newspaper

"Security and profit" are two very important concepts for the investor, and it is known that the UAE has been a breeding ground for the development of capital in recent years. This was reflected on the arrival of the most prominent businessmen, major companies and famous brands to the country. The active UAE financial market contributed to the success of many companies, which turned into public joint stock companies, with billions of dirhams having been pumped into their capital. This means that thousands of investors were involved in the ownership of shares. Recently, however, we have witnessed legal and financial issues involving prominent names of UAE nationals. What does Your Highness have to say with regard to the investment community in the UAE on the capacity of governmental oversight of corporate governance and management of the shareholders and their rights?

These legal issues are evidence of firm government20concern about good corporate governance and its commitment to sound accounting principles, rules of governance and transparency. The government is constantly working to develop bodies, procedures and safeguards. No one is above the law in the UAE, and whoever crosses the line will be sought by judicial authorities and legally tried.
By Ro'ya Al Iqtesadiah newspaper

In light of the talk about the scarcity of liquidity in the domestic market, Dubai US$20 billion in bonds. Central Bank is subscribing to $10 billion of those bonds. Officials of the Emirate stated that there is no current need for the rest of the money. Does this mean that the Government of Dubai has closed the doors for new subscription to a second tranche? Will support be provided by the Government of Dubai for the companies as a grant?

The doors to subscription have not been shut down. The subscriptions so far meet our requirements. The support given to companies is not a grant, because its origin is the bill, and companies possess productive assets that enable them to meet all the requirements. The problem of these companies is part of the liquidity problem that has afflicted the financial system and banking world.
By Ro'ya Al Iqtesadiah newspaper

Looking at the entities that will avail from Dubai government's financial support, can we say that Dubai government affiliate companies have overestimated their financial capabilities to cover development requirements, then subsequently their administrations became responsible for the level of these companies' transparency in handling their projects?

The global financial crisis took all countries by surprise and was much bigger than any economy or large companies across the world. It is not really helpful for anyone to claim wisdom in hindsight. Learning the lesson well is the true bottom line of this crisis. I have always repeated that only the one who works is one who is likely to commit errors. But the most important thing is to learn not to repeat the same error twice. Definitely gaps that may be revealed through current reform efforts will be immediately addressed and rectified.
By Ro'ya Al Iqtesadiah newspaper

Your Highness, you have put Emiratization on top of the country's development priorities. Over the years, the UAE population has grown significantly to the extent that expat residents have become absolute majority. Meanwhile, number of private sector companies has significantly increased as well. How do you see this impacting the UAE nationals' job opportunities? Do you believe it might be necessary to expand the Emiratization plan to cover a larger portion of the private sector companies?

The Emiratization plan is primarily based on training and qualifying UAE nationals, equipping them with all necessary tools and competencies a nd supporting them to confidently compete in the job market. I am positive that most of the private sector companies prefer to recruit UAE nationals as part of their Corporate Social Responsibilities. Also salaries of UAE nationals – however high they may appear to be - are far less than those of expats. Employing a UAE national will open the door for more interaction with government departments and local customers, who are eventually the highest spenders. If some companies fall short of their responsibilities toward the local workforce, then the government will intervene through a set of measures and incentives to encourage these companies to live up to the expected level of responsibility.
By Ro'ya Al Iqtesadiah newspaper

Many countries have applauded the UAE's hospitality and praised the level of respect it shows to the expat communities and the freedom it offers them to lead their business and social lives in perfect ease. This encouraged many expats to reside in the UAE for long period of time, evolving the same habits and traditions of the local community as well as significant loyalty to this country. Some of those expats felt optimistic about recent announcements made by some real estate companies that property buyers in certain projects in Dubai or Ajman will be offered "permanent UAE residency." Other companies have completely closed the door of speculation regarding the same issue. How does the government perceive=2 0the "Permanent Residency" promise? And are there any eventual plans to adopt it in the UAE?

Offering residency is absolutely far beyond the jurisdiction of any real estate company. It is a sovereign issue governed by laws and regulations. But I wonder if one buys property in London, Paris, Cairo, or Beirut does this mean obtaining a permanent residency there? We are very keen to ensure convenient conditions for expat property owners. However, we will be issuing a new law that includes a long multi-visit permit soon.
DALAL ABU GHAZALA, Al Hayat Newspaper

The UAE has proven remarkable capability in managing previous crises, including the Gulf First or Second Wars and 9/11 events in the US. What are the steps endorsed by the country's supreme leadership to overcome the current financial crisis? And do these measures include re-evaluating the UAE's strategy and its plans for the coming few years?

Revisiting and re-evaluating strategies and plans are ongoing processes. They aren't only restricted to times of crises. Life is full of changes and developments, but only the clear-headed can effectively monitor and examine these changes and identify their trends and then determine how much these developments will impact their own strategies and plans.
DALAL ABU GHAZALA, Al Hayat Newspaper

Some Western media are trying to defame the UA E either through exaggerating the impact of the economic downturn on Dubai, or through inaccurate reports such as Human Rights Watch's on the Media Law in the UAE. What do you think are the reasons behind such campaigns? And what is your response to these campaigns?

We don't care who stands behind such campaigns, but rather pay attention to the content of these reports either issued by media or international nongovernmental organizations. We deal with such reports with absolute objectivity -- for example when producers of these reports express their wish to visit the UAE and meet concerned officials, we open our doors for them and welcome all constructive discussions, offering them full briefings on all facts. We attentively listen to their views and, I like to think, so do they.

Regarding Human Rights Watch's report on the UAE's new draft media law, the international organisation's officials were in the country last week. They met with the concerned UAE officials who defended the law and disputed the report's inaccurate remarks, explaining the law's different clauses and articles. They tried to steer the report's producers away from any misleading interpretations of its content.
PAUL STOBER, Gulf News

The government has taken significant steps to support the financial services and property industries in the UAE. Are you happy with the results so far?

I am very pleased with the results, and I am confident we are on the right track. Everybody will recognise shortly the encouraging indicators of the economic recovery.
PAUL STOBER, Gulf News

If it became necessary, what further steps of support would the government consider for the financial services and property industries? Would the government consider extending support to other important industries in the UAE, like tourism? If so, what form might this take?

The measures we have undertaken so far have shifted the UAE economy from the crisis mood to the solution mood. Not one country in the world, regardless of what efficient systems it boasts, could have ensured recovery from the financial crisis before recognising its actual impact on the global economy and international markets. No one could predict ensuring recovery before the world's leading economies consolidates their efforts to face the crisis. That actually took several months of constant work. Now, optimistic voices are getting louder worldwide, while markets' fear has started to gradually diminish.

The UAE has one of the region's most progressive, vibrant and open economies. Efforts by world leading economies to deal with the financial crisis have been effective and fruitful, while the tendency to increase international cooperation – including recent decisions by the G20 summit in London – remains very positive and encouraging. I can confidently say that the UA E is very well positioned on the recovery path, thanks to our domestic policy measures – such as the fiscal stimulus, easing monetary policy, and increasing liquidity in the

system. There are some early indicators of international economic recovery. Yet, I cannot predict that the global economic recovery will proceed without potential hurdles. I cannot also claim that repercussions of the economic financial meltdown are over yet. But what I can say is that the worst is already behind us, and there is now a solid will and determination among concerned countries to join hands to collectively revive the global economy as well as their own individual economies.

Increasing financial support to other business sectors is probable, pending the actual needs of each particular sector. The UAE's tourism sector is in a good shape, with UAE hotels recording high occupancy rates. The country's tourism industry has already successful survived the worst period and resiliently adapted itself during the most critical times.
PAUL STOBER, Gulf News

What are the main strengths and weaknesses of the UAE, as it faces the challenge of the global economic slowdown? What are the particular challenges that Dubai faces as it positions itself as a global business centre?

The UAE's strengths are numerous. The UAE's success in facing the global financial crisis and alleviating its impact on the Emirati economy is the most conspicuous=2 0evidence of these strengths. The country enjoys a leading ranking position in several fields such as productivity, environment, connectivity, and transformation to knowledge economy. Yet the failure to match best international practices in these fields might be considered a major weakness. We always benchmark ourselves against the best. I always say that we have just embarked on a long journey of hard work to fulfil our promised sustainable development through a series of strategic projects to be established during the years to come.
DURAID AL BAIK, Gulf News:

Do you feel that Dubai needs an efficient auditing body to investigate and curb corruption in financial institutions before things become too bad? How more the UAE can move faster in fighting corruption and promoting transparency?

There is already a government financial audit department. The department has a track record of successful performance, and it has done very well with investigations related to corruption cases. Enhancing financial auditing systems and capabilities is undoubtedly important and that is exactly what we are doing now. As for promoting transparency in fighting corruption, I confirm that the UAE is completely committed to highest levels of transparency. There is no room for corrupt officials and citizens among us. Handling corruption cases does not mean prosecuting judging and penalising corrupt individuals only; it also aims at filling all administrative and legal loopholes that=2 0have been used to breach the law.
By Al Bayan newspaper

When will the term "remote" (rural) areas disappear from the everyday vocabulary of the UAE?

The UAE does not have remote areas in the negative connotation of the word. We only have areas that are relatively remote from urban centers. The urban planning of these areas has to be based on scientific research to carefully identify means of providing best efficient services to local residents.

There are sometimes exaggerated reports depicting these areas as if they are utterly deprived of basic services while their residents live in appalling conditions. Sometimes, one reads press reports demanding a school to be built in an area that has no more than 50 homes, while there is a school only few kilometers away with available

means of transportation for the students.

I've personally toured most of these areas across the country, and I was very keen on visiting particular areas and schools that were the focus of the media. I discovered that the situation on ground is often completely different from the picture presented by the media. Of course, these areas need to be given more attention -- and this is exactly what the government has committed itself to since its first day in office. The government efforts in that regard are in line with the directives of His Highness Sheikh Khalifa bin Zayed Al Nahyan, President of the UAE.
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By Al Bayan newspaper

Are there any practical measures undertaken by the government to address the issue of the population imbalance? What about offering incentives to the UAE nationals to have more children?

The government has embarked on certain measures which have been announced earlier and carried by the media. The committee in charge of the population issues is working quietly and in a very effective manner. The UAE Government Strategy has identified a major direction for developing particular steps to address the population imbalance issue. One of the strategies the UAE government has identified to address this issue involves focusing on Emiratization through well-planned policy based on combining federal and local efforts. Incentives for the UAE nationals to have more children are already in place. UAE nationals are offered several incentives either in terms of services, benefits, salary increments or other privileges for their children. The UAE government has paid special attention to offering UAE nationals all possible incentives.
By Al Bayan newspaper

Why have the UAE Government retreats been stopped?

The UAE Government retreats have not been put on hold but they are usually organized with relatively long intervals. Yet, the Cabinet meetings are convened on regular basis.
By Al Bayan newspaper

Some peop le believe that you put more trust in youth rather than veterans to lead Dubai organizations. What is your comment on this view?

I've trusted, and I will continue to trust well-qualified and experienced youth. If youth are not empowered and given full opportunities, how expertise and new leaderships will be built?

In the meantime, I don't know which age signifies youth. Are they below the age of 35 or 40? If a person who has spent 10 or 20 years in his/her workplace and still has not developed any experience, can he/she be categorized as youth? How many years one should spend at work to gain experience -- should we say 5 or 10?

The world has changed. Knowledge is now accessible to everybody. Training and development programmes are also available for those who seek to develop themselves and opt to enhance their competencies to ensure successful future career path. Young leaders' development programmes are also available for all UAE nationals who prove themselves worthy through tests carried out by an independent body.

We look high at our national expertise, both young and veteran. I will continue to explore and discover young talent and offer them full opportunities and push them to assume leading positions.

By Al Bayan newspaper

How do you foresee the impact of the unified GGC currency on UAE's economy?

It will have a positive impact on all GCC countries economies. The currency is a federal issue, and the UAE has been very enthusiastic about the unified currency and showed interest in hosting the GCC Central Bank.
By Al Bayan newspaper

How do you evaluate the experience of the women whom you empowered to assume administrative and legislative roles in the UAE?

The experience has been very successful and most of those women have demonstrated remarkable commitment and significant competency in performing their duties and fulfilling their responsibilities. They have also proven that the UAE woman is completely reliable and worthy of trust in all leadership and non-leadership positions.
By Al Bayan newspaper

What was the response of the UAE health authorities following your direct criticism of doctors' professional competencies and your urging that medical services across the country be enhanced?

There has been remarkable progress in quality of health care services, which still fall short of our expectations. I totally appreciate that pulling together loose ends to rectify mixed processes accumulated over long years takes time. Yet, efforts are now underway to develop the healthcare sector and work is progressing in the right direction. Competition resulting from the growing presence of private healthcare organizations has reflected positively on the overall medical performance in the country. I believe all private=2 0and public sector doctors will live up to international best practices very soon.
Emirates Business 24/7

There has been increasing federalism in the handling of the financial needs of the Emirates, which has been hailed as a good step forward. How do you see this evolving in future?

The UAE follows unified legislative, financial and fiscal systems. Federal authorities, led by the UAE Central Bank and the Ministry of Finance, assume full responsibility of developing and implementing these systems. Measures adopted by the UAE government in response to the global financial crisis only reflect conditions of the UAE market, which has been around for the last 35 years since the Fiscal Council was first established. The UAE government's swift action to address impacts of the global financial crisis has amazed many people. It is important to remember that the UAE's response to previous crises, such as the real-estate crisis of the early 1980s, has always been carried out at the federal level. The increased federalism that you refer to in your question is yet another proof that the federation is getting stronger.
Emirates Business 24/7

Many laws including the Federal Companies Law have been under scrutiny for a long time. Do you feel there is a need for faster amendments to federal laws to meet today's economic and social needs of the country?

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Issuing the first amendment of a law usually takes some time. Rushing things may lead to undesired consequences while delay reflects unnecessary bureaucracy. The pace of passing new amendments to laws bound by international agreements and world systems – for example, the Companies Law -- is determined by the progress of these agreements. Several important international agreements, including a significant number involving the World Trade Organization, are still not ripe. Yet, we are very keen on passing or amending any laws if necessary to strike a healthy balance between our local interests and our commitments to international trade and finance organizations.
Emirates Business 24/7

Speculation about the dirham's peg to the United States dollar keep flowing back out. What value do you see in keeping the peg in the sh ort term and the long term? Is there any move to change the structure or composition of the peg?

Governed by strict banking principles and guidelines, the UAE Central Bank is taking care of the issue of dirham's peg to international currencies. The US dollar's devaluation against the Euro and the pound-sterling during the past few years has triggered several debates about economic threats posed by the dirham's peg to the dollar. Today, after the dollar's significant gains against other international currencies, we can barely hear these voices.

There are no absolute wins or absolute20loses to pegging a local currency to a single foreign currency or a currency basket. Decisions are always determined in light of the size of benefits.
Emirates Business 24/7

One of the many effective measures taken by the UAE Government to deal with the fallout of the global financial crisis has been to maintain or increase spending on infrastructure projects, even if this leads to a deficit budget. Would the UAE be comfortable with a deficit budget for the first time in many years? Would you immediately put in place measures to wipe out the deficit (if that happens) in the next year? What such measures would you consider?

This is a hypothetical question. Actually, we evaluate all possible scenarios and we are very keen on endorsing a deficit-free budget. Yet I can read between the lines of your question about potential measures to face budget deficit. My reply is: No Income Taxes.
Emirates Business 24/7

The public relations image of UAE and Dubai is being taken to task in sections of the Western press. What is the official strategy of UAE going to be to counter this?

Our strategy in that regard is very consistent, as we strongly believe in the sanctity of truth. Our commitment to transparency is unequivocal and unquestioned. Our ultimate response to these reports can be seen in our relentless efforts and ongoing success. The life sp an of lies is always short.

We have been very transparent with all measures undertaken over the past few months to counter the impact of the global financial crisis. Senior government officials have spoken openly about the current situation, highlighting key facts and figures -- including the actual size of the debts by both the government and government affiliated companies.

His Highness the President of the UAE has also openly clarified different dimensions of the crisis's impact on the UAE economy. Despite all that, some people in the media have continued to weave rumors and negative speculation into their articles. We welcome all media from around the globe and we have never silenced any resident or visiting reporters or stopped them from doing their job.

We shall continue to do the same because of our confidence in ourselves, our economy and our measures -- and because we always believe deep in our hearts that truth prevails. Yet our self-confidence does not stop us from dialogue with the media to offer them straightforward information. We urge them to adhere to professional integrity, objectivity, and fair scrutiny and use of information.
Emirates Business 24/7

There has been some contraction in business volumes in the UAE over the last few months. The harshest effect of this seems to have been on small and medium-sized enterprises. Is there any plan to revitalize the small business sector, which is usually co nsidered the growth engine of an economy?

We are fully aware of the vital role of the small and medium enterprises sector; I believe that the contraction it has suffered is only temporary. Our success in overcoming the worst will positively reflect on the overall economy, including major enterprises as well as small and medium-sized ones. Our position is far better than other countries, and encouraging economic indicators have just started to emerge. Enhanced liquidity levels across the banking sector, banks' resumption of credit operations, increased number of investors eager to seize investment opportunities in the real estate sector and financial markets, are among many other positive and encouraging indicators.
Emirates Business 24/7

The region is clearly looking at nuclear energy as means to meet its energy needs in the future. What is your view on the proliferation of nuclear technology in the Middle East?

The UAE's announced stance is very clear: All countries have the right to use nuclear power for peaceful purposes. We look forward for the day when the entire Middle East region will be declared free of all nuclear and mass-destruction weapons.
By Ali Mutalq Al-Quhais Al-Shammari - AlReyadh Newspaper

What comments do, Your Highness have about the rumors that Your Highness had a health problem lately? We pray God that the rumors were base less, and that He may grant Your Highness good health, long life and happiness to make Your Highness a model to be followed in the region.

I thank God that I am well and in the best of health and peace of mind and soul. The rumors about me are a part of the psychological war that was waged on Dubai in recent months. Rumors have never targeted unsuccessful, backward or marginal people. I personally pay no attention to rumors, as I know they are short -lived. When people find out the facts, they respect and appreciate you more; their good feelings toward you grow, and the rumor-mongers diminish in their eyes. In fact the last few months I have participated in 4 endurance races where I was able to race for more than 120km in each.
By Ali Mutalq Al-Quhais Al-Shammari - AlReyadh Newspaper

By the end of the first quarter of 2009, what is your evaluation of the economic

performance of the UAE in light of the financial crisis? What is the UAE government's strategy to raise the national economy, and emerge from the financial crisis stronger than before? How do you respond to the unfair and hateful rumors that Dubai has turned into a ghost city?

The performance of our economy in the first quarter of this year proves that we are on the way out of the crisis, and that we are on the right track. Our economy will resume its health faster than other economies, but the speed of that=2 0resumption is not governed only by the strength of our economy and its abundant resources. The speed will also be influenced by developments in the international economy – including the measures of revival in the grouping of industrialized states known as the G-20, whose role in international trade movement is about 90 percent of the total international trade, and whose GDP is about 60 percent of the entire world GDP. The speed of general recovery will also be influenced by the capability of international measures connected with monitoring markets, and the role, functions and work mechanisms of international financial institutions, especially the International Monetary Fund. I am optimistic that good implementation of the decisions of G-20 and the International Monetary Fund will speed up the recovery of the global economy.
By Ali Mutalq Al-Quhais Al-Shammari - AlReyadh Newspaper

Sometime ago, several Western papers published unfair reports about the UAE, claiming human right violations of foreign labor in the UAE, and the lack of free elections in the UAE, etc. What do you think of these allegations? What do you think is the reason behind spreading such malicious reports?

They may write whatever they like, and play the tunes that please them. We are not annoyed by criticism, nor do we fear campaigns. They have their models, experience, values, standards, their cultural and intellectual frames of references. We have our models, values, st andards and frames of references. We are open to the entire human experience in every field. We learn from them, but we will never import ready-made models. We do not accept that, and our society does not accept this. As for the allegations about foreign labor, it is an old theme, repeated every now and then. Yes, certain sectors of foreign labor are not in the state we like or hope. But we are steadily improving that state, and we are making progress every year. For years, the talk about foreign labor has not ceased. Such talk is open to all and to the countries that provide such labor. Despite that, millions are trying to come to work in our country. So, why do those foreign countries don't stop their citizens from coming to work in the UAE if the work situation is such as these nasty reports claim?
By Al Emarat Al Youm

The UAE is facing a regional and global media campaign that questions its ability to overcome the global financial crisis. How does Your Highness evaluate such campaigns? What are the tools and the initiatives with which to respond, including the development of local media?

Action is louder than words. Our achievements and hard work would be the response to these campaigns. The UAE is immune to such campaigns, and questioning of its ability to continue developing a strong federation is not going to yield anything. When we established the UAE federation, we faced analysis and speculation campaigns, questioning our ability to sustain the Federation and ensure its success. Similarly, the launch of every major project was met with uncertainty and rumors from media campaigns. All these campaigns are history now and their promoters have been proven to be wrong.

As for your suggestion of responding to these campaigns with tools and initiatives, including the development

of local media, our response is to continue on our path of hard work and to highlight our achievements. Ongoing development has always and will remain a key objective to our local media; however, we will not allow anyone to drag us to media confrontations. Our policies and procedures are clear, transparent, and always in the end, truth will prevail and will defeat all rumors.

Al Emarat Al Youm:

The UAE government has taken notable measures in combating corruption, referring senior officials to court. Are there further steps the government intends to undertake in the same regards? And does Your Highness believe that an independent watchdog body might be needed to audit governmental and semi-governmental organizations?

The UAE has efficient independent watchdog bodies that include the federal State Audit Institution, as well as local auditing departments. I've visited the State Audit Institution lately where I was updated on its activities. I've given directives to revamp its systems and provide all necessary tools to enhance its performance. Sy stems and processes of the Dubai Financial Audit Department are also being reviewed and enhanced. Besides, there are other auditing bodies that operate under the Rulers' Courts across the seven Emirates.
Al Emarat Al Youm:

Your Highness received His Highness Sheikh Khalifa bin Zayed Al Nahyan, the President of the UAE, in Dubai last week, and escorted His Highness on a tour that included key landmark developments across the Emirate. What was the significance of this visit?

I meet with His Highness Sheikh Khalifa on regular basis. We are companions on our journey of development, and he is our Leader and our President. Dubai is his home and he is most welcome at anytime. The visit comes in line with His Highness' ongoing follow up on development efforts across the seven Emirates. He is always keen on meeting his people across the country to listen to their views and ensure their own welfare.

As a matter of fact, all His Highness visits to Dubai are important. His latest visit was significantly important as he toured Dubai's new landmarks, expressing his satisfaction at Dubai's milestone achievements. He was also very keen on visiting "Dar Al Ittihad" (the Union House) where establishment of the United Arab Emirates federation was proclaimed. The visit was in honor of this remarkable achievement.
Questions by Al Shorouk Egyptian Daily

Arab funds, particularly GCC ones, have suffered big investment losses in international markets due to the global financial crisis. Sovereign Arab funds have also lost a lot of their money. How did the UAE benefit from this tough lesson, and does it intend to direct more money into Arab markets? Are there any plans to direct part of this money into Egypt

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[Message clipped]

8 May, 2011

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Article 1.

NYT

End of Mideast Wholesale

Thomas L. Friedman

May 7, 2011 -- If you look into the different "shop" windows across the Middle East, it is increasingly apparent that the Arab uprisings are bringing to a close the era of "Middle East Wholesale" and ushering in the era of "Middle East Retail." Everyone is going to have to pay more for their stability. Let's start with Israel. For the last 30 years, Israel enjoyed peace with Egypt wholesale — by having

peace with just one man, Hosni Mubarak. That sale is over. Today, post-Mubarak, to sustain the peace treaty with Egypt in any kind of stable manner, Israel is going to have to pay retail. It is going to have to make peace with 85 million Egyptians. The days in which one phone call by Israel to Mubarak could shut down any crisis in relations are over.

Amr Moussa, the outgoing head of the Arab League and the front-runner in polls to succeed Mubarak as president when Egypt holds elections in November, just made that clear in an interview with The Wall Street Journal. Regarding Israel, Moussa said: "Mubarak had a certain policy. It was his own policy, and I don't think we have to follow this. We want to be a friend of Israel, but it has to have two parties. It is not on Egypt to be a friend. Israel has to be a friend, too."

Moussa owes a great deal of his popularity in Egypt to his tough approach to Israel. I hope he has a broader vision. It is noteworthy that in the decade he led the Arab League, he spent a great deal of time jousting with Israel and did virtually nothing to either highlight or deal with the conclusions of the 2002 U.N. Arab Human Development Report — produced by a group of Arab scholars led by an Egyptian — that said the Arab people are suffering from three huge deficits: a deficit of freedom, a deficit of knowledge and deficit of women's empowerment.

The current Israeli government, however, shows little sign of being prepared for peace retail. I can't say with any certainty that Israel has a Palestinian partner for a secure peace so that Israel can end its occupation of the West Bank. But I can say with 100 percent certainty that Israel has a huge interest in going out of its way to test that possibility. The Arab world is going through a tumultuous transition to a still uncertain destination. Israel needs to do all it can to get out of their story, because it is going to be a wild ride.

Alas, though, the main strategy of Iran, Syria, Hezbollah and Hamas will be to drag Israel into the Arab story — as a way of deflecting attention away from how these anti-democratic regimes are repressing their own people and to further delegitimize Israel, by making sure it remains a permanent occupier of Palestinians in the West Bank.

Have no illusions: The main goal of the rejectionists today is to lock Israel into the West Bank — so the world would denounce it as some kind of Jewish apartheid state, with a Jewish minority permanently ruling a Palestinian majority, when you combine Israel's Arabs and the West Bank Arabs. With a more democratic Arab world, where everyone can vote, that would be a disaster for Israel. It may be unavoidable, but it would be insane for Israel to make it so by failing to aggressively pursue a secure withdrawal option.

The second group that will have to pay retail for stability is the Arab monarchies — Saudi Arabia, Bahrain, Kuwait, Jordan, Morocco. These governments have for decades bought stability with reform wholesale — by offering faux reforms, like reshuffling cabinets, that never amounted to real power sharing — and by distracting their people with shiny objects. But these monarchies totally underestimate the depth of what has erupted in their region: a profound quest for personal dignity, justice and freedom that is not going away. They will have to share more power.

The third group I hope will have to pay retail is Egypt's Muslim Brotherhood. Under Mubarak, in an odd way, the Brotherhood had it easy. Mubarak made sure that no authentic, legitimate, progressive, modern Egyptian party could emerge between himself and the Muslim Brotherhood. That way, Mubarak could come to Washington once a year and tell the president: "Look, it's either me or the Muslim Brotherhood. We have no independent, secular moderates."

Therefore, to get its votes, all the Muslim Brotherhood had to say was that "Mubarak is a Zionist" and "Islam is the answer." It didn't have

to think hard about jobs, economics or globalization. It got its support wholesale — by simply being the only authentic vehicle for protest against the regime. Now the Muslim Brotherhood is going to have to get its votes retail — I hope.

This is the key question: Will a united, legitimate, authentic, progressive, modern, nationalist alternative to the Muslim Brotherhood get its act together and challenge the Islamists in the Egyptian elections, and then rule effectively? Woody Allen famously pointed out that 80 percent of life is showing up. Wrong. Eighty percent of life is getting stuff done. The Egyptian centrists from Tahrir Square now need to show that they can form parties to get good stuff done. Nobody pays wholesale anymore.

Article 2.

Le Monde diplomatique

Is This the End of the Assad Dynasty?

Patrick Seale

2011-05-06 -- The disturbances started in mid-March in Daraa, a southern city on the border with Jordan, when a dozen children were manhandled, arrested and carried off to Damascus for scribbling hostile graffiti on a wall. Distraught parents came down into the street to vent their anger at such heavy-handed brutality. They were soon joined by others. The uprising had begun and soon spread across the country. No doubt it was inspired, in part at least, by the display of people power which has leapt with contagious speed from one country to another, shaking the foundations of Arab autocracy and giving a great jolt to the immobile political order in the Middle East. In Syria, the authorities then made what may prove to be a fatal mistake. In a move that looked like panic, the security forces used live fire against the protesters -- and have continued to do so. By the end of April, over 550 people had been killed in different locations around the country, while many more were wounded and possibly two thousand arrested. With little reliable information coming out of Syria it is impossible to be certain of the figures. The state used particular violence against Daraa, a poor city in an agricultural region which has suffered from government neglect and crippling drought in recent years. As if to punish it for initiating the troubles, tank fire was used to quell the protests and something like a siege put in place. Electricity and water were cut off and food became scarce.

The deaths in Daraa and elsewhere -- and the emotional funeral processions that followed -- have clearly aroused great rage in the population and a thirst for revenge. President Bashar al-Assad's legitimacy has been eroded. A strident call is ringing out increasingly

for the fall of the regime. The president is now fighting for his political life and for that of the regime put in place in 1970 by his father, the late President Hafez al-Assad.

Forty-one years in power

The rule of the Assads, father and son, has now lasted 41 years, a score comparable to that of other long-lasting Arab autocrats, each apparently determined to be a président-à-vie. In no other part of the world have so many rulers clung so assiduously to power. Bashar appears genuinely to have believed that the Arab nationalist ideology he inherited, his opposition to Israel and his support for resistance movements such as Hizbullah in Lebanon and Hamas in Gaza, gave him immunity from popular discontent. In an interview with The Wall Street Journal on 31 January, he claimed that Syria could not be compared to Egypt. "Why is Syria stable," he asked, "although we have more difficult conditions? Egypt has been supported financially by the United States, while we are under embargo by most countries of the world. We have growth although we do not have many of the basic needs for the people. Despite all that, the people do not go into an uprising. So it is not only about needs and not only about reform. It is about the ideology, the beliefs and the cause that you have. There is a difference between having a cause and having a vacuum."

Unfortunately for Bashar, this analysis has proved wrong. As if caught unawares, his first public speech on 30 March was a public relations disaster. It was delivered to an obedient parliament, which interrupted him repeatedly with acclamation and crass plaudits. In an aside, he seemed to concede that external crises had distracted him from making the reforms he had intended when he first took office. In a second speech on 16 April to his newly appointed cabinet, he announced the lifting of the hated state of emergency, in force since the Ba'ath Party seized power in 1963, and the abolishing of the dreaded Special State Security Court. But even these moves came to

seem half-hearted when it emerged that demonstrations could only be held with prior permission from the interior ministry.

The difficult and perilous task Bashar now faces is nothing less than the profound restructuring -- under great popular pressure -- of a fossilised system of governance inherited from his father, but which is no longer appropriate to the modern age, and no longer tolerated by the bulk of the population. Like other Arabs, Syrians want real political freedoms, the release of political prisoners, an independent judiciary, the punishment of corrupt bigwigs, a free press, a new law on political parties allowing for genuine pluralism (and the cancellation of article 8 of the constitution which enshrines the Ba'ath Party as "the leader of state and society"), and an end, once and for all, to arbitrary arrest, police brutality and torture.

Can Bashar meet these demands? Does he have the will and ability to do so? Can he hope to prevail over the entrenched interests of his extended family, of his intelligence and army chiefs, of powerful figures in his Alawite community, of rich Sunni merchants of Damascus traditionally allied to the Assad family, and of the small but powerful "new bourgeoisie," made rich by the transition from a state-controlled to a market-oriented economy, over which he has himself presided in the past decade? All these disparate forces want no change in a system which has brought them privilege and wealth. Above all, can Bashar change the brutal methods of his police and security forces? Could anyone in just a few weeks hope to change habits of repression ingrained over half a century, and indeed far longer? (For autocracy is not an Assad invention.)

The Bashar years

Until the outbreak of the crisis, Bashar al-Assad had little or nothing of the menacing pose of a traditional Arab dictator. His manner was modest and, at 45, he looked astonishingly young. His tall willowy frame has none of the robustness of a fighter, while his gaze,

questioning and often perplexed, has none of the certainties of a man born to power. He was a young doctor studying ophthalmology in London when the accidental death in 1994 of his elder brother, Basil, an altogether tougher character who was being groomed for the succession, propelled him somewhat reluctantly onto the political scene.

The country he came to rule in 2000 seemed backward in an increasingly globalised and technologically advanced world. His first reforms were therefore financial and commercial. Mobile phones and the internet were introduced. Private schools and universities proliferated. In 2004 private banks and insurance companies were allowed to operate for the first time, and a stock exchange was opened in March 2009. A political and economic alliance was forged with Turkey (and visas abolished), which allowed trade to grow along that border, benefiting Aleppo. The Old City of Damascus was revitalised, ancient courtyard houses restored and hotels and restaurants opened to cater for the growing number of tourists. Before the crisis erupted, Syria was negotiating to join the World Trade Organisation and conclude an association agreement with the European Union.

But Bashar's years in power seem to have hardened him. He developed a taste for control -- control over the media, over the university, over the economy (through cronies such as his exorbitantly rich cousin Rami Makhlouf), control over society at large. Free expression is not allowed. Political decision-making is restricted to a tight circle around the president and security services. Like his father, Bashar clearly does not like to be pushed around or to seem to yield to pressure. Even so, many Syrians still support him in the belief that, as an educated, modern and secular ruler, he is better placed than most to bring about necessary change.

At the time of writing, Bashar still seems to have a chance, if a slim one, of stabilising the situation and perhaps earning a further spell in power -- but only if he calls a halt to the killing of protesters and takes the lead of the reform movement, and in effect carries out a silent coup against the hardliners.

But it may well be too late for that. Indeed, Bashar may already have lost authority to men like his brother, Maher al-Assad, commander of the regime's Republican Guard, who seems to advocate crushing the protests by force. If the army and the security services remain loyal, it will be difficult for the opposition to unseat the regime. But there have been ominous rumours of army defections as well as reports that some members of the Ba'ath Party have resigned.

It needs to be recognised that the Assad regime does have determined enemies, at home and abroad, who conspire against it in the neighbouring countries -- Lebanon, Jordan, Iraq, Saudi Arabia, and also Israel -- and among Syrian exiles in London, Paris and the US. These enemies have smelled blood. Riding on the turbulent wave of popular dissent, they will not easily give up. According to US diplomatic cables, released by WikiLeaks and published in mid-April in The Washington Post, the State Department secretly financed a London-based network of Bashar's opponents to the tune of $12m between 2005 and 2010.

A continuous whole

It is probably fair to view Bashar al-Assad's term of office and that of his father as a single continuous whole. Not only did Hafez al-Assad decide that Bashar should succeed him, but he also bequeathed to him an autocratic system based on an all-powerful centralising presidency, and a set of principles and external allies and opponents which together determine Syria's foreign policy. Bashar's whole career -- like that of his father before him -- has been shaped by Syria's contest with Israel. Syria has had to live, fight and survive in

a hostile Middle East environment shaped by Israel's overwhelming victory over the Arabs in the 1967 war, its seizure of extensive Arab territories including Syria's Golan Heights and its subsequent close alliance with the United States, which put in place a sort of dual US-Israeli regional hegemony from which Syria and its allies have sought to free themselves ever since. The 1973 war waged by Egypt and Syria to recover lost territories and force Israel to negotiate a global peace had some initial success but failed to realise its objectives. Instead, Egypt made a separate peace with Israel in 1979 and was removed from the Arab line up. The rest of the region was then exposed to the full force of Israeli power.

Looking to its defences, Syria established a partnership in 1979 with the newborn Islamic Republic of Iran. And once Israel invaded Lebanon in 1982 in a bid to expel Syrian influence, destroy the PLO and bring Lebanon into its orbit, Syria found local allies among the Shia resistance movements of South Lebanon -- of which Hizbullah became the most prominent. Waging a guerrilla war, and benefiting from logistical support and weapons from Iran and Syria, Hizbullah managed to force Israel out of South Lebanon in 2000, after an 18-year occupation. From this was born the Tehran-Damascus-Hizbullah axis, which over the years grew into the principal regional challenger of the United States and Israel.

Both the United States and Israel have done their utmost to disrupt this axis and prevent it acquiring any effective deterrent capability: Iran has faced constant demonisation, sanctions and threat of military attack because of its nuclear programme, while Israel has made repeated attempts to destroy Hizbullah, including its war on Lebanon in 2006. Syria, in turn, has faced intimidation, isolation, US sanctions and an Israeli attack in 2007 on its alleged nuclear facility.

Bashar has had to wrestle with his own crises. He survived George W. Bush's "global war on terror" after 9/11, then faced the greater

ordeal of the 2003 US-led invasion of Iraq and the long occupation that followed. Had the United States been successful in Iraq, Syria would have been the next target, as pro-Israel neocons, the main architects of the Iraq war, had intended. Syria was then confronted by the 2005 Lebanese crisis, triggered by the assassination of former prime minister Rafik Hariri. Syrian forces were ousted from Lebanon and the Assad regime threatened with extinction by the combined pressures of the United States and France.

There is also a much older memory that still hangs like a dark cloud -- that of the massacres at Hama in central Syria in 1982. It was then that Hafez al-Assad put down, with great violence, an armed insurrection by the Muslim Brothers. Beginning in 1977, this Islamic group had launched a series of terrorist attacks against the regime, murdering several of the president's close associates and eventually seizing control of Hama, where they killed Ba'ath Party and government officials. The regime regained control of the town, but only after a bloodbath in which between 10,000 and 20,000 people lost their lives.

Thirty years later, some Islamists still dream of revenge, while minorities such as the Alawites fear that if the regime were to fall, they would be massacred in turn. Emerging from underground, the Muslim Brothers have now called on the people to join the protests. The cry for freedom risks being drowned by sectarian strife.

Such has been Bashar al-Assad's harsh apprenticeship. He has had to surmount a series of regime-threatening crises much like those his father confronted in his time. Both Assads felt some satisfaction at managing to survive them and thus provide Syria with a measure of stability and security, especially compared with Iraq and Lebanon. There was, however, a price to pay. Having to live and survive in a hostile environment inevitably conferred great powers on the security services, guardians of the regime -- to the increasing resentment of

ordinary Syrians. A dialogue of the deaf ensued. The Assads' intense preoccupation with external crises led them to neglect the internal scene. Who would need political freedoms, they no doubt thought, if given the benefits of security and stability? As the regime's official daily newspaper Tishrin wrote on 25 April: "The most sublime form of freedom is the security of the nation."

The recent explosion of popular anger has evidently taken Bashar by surprise, as it did other Arab autocrats. He has had to wrench his attention away from the perils and excitements of foreign policy to urgent challenges at home. To devise and implement far-reaching domestic reforms, as the present situation urgently demands, will require a radical change of focus. It will not be easy, and a favourable outcome is far from certain. Bashar now faces an internal threat to his regime at least as dangerous as any of the external threats he and his father confronted so successfully.

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Article 3.

NYT – Books

Mohamed ElBaradei, the Inspector

Leslie H. Gelb

THE AGE OF DECEPTION
Nuclear Diplomacy in Treacherous Times
By Mohamed ElBaradei
340 pp. Metropolitan Books/Henry Holt & Company. $27.

May 6, 2011 -- The Nobel laureate Mohamed ElBaradei has stated his intention to "nominate myself" to be president of Egypt, but this memoir will not improve his election prospects. In personal terms, it's hard to imagine anything less thrilling to Egypt's street revolutionaries than ElBaradei's accounts of his meals ("The food was very basic, with few choices: noodles, meat and kimchi; no fruit or salad") and accommodations ("a worn, drab-colored suite consisting of a bedroom and a salon") in places like North Korea. Nor will his fellow Egyptians be much intrigued by the details of his battles against nuclear proliferators. At the moment, the protestors have other priorities.

On the other hand, foreign policy leaders and wonks everywhere will find plenty in this memoir to stir debates about the most vital task for global survival — the need to stop the spread of nuclear weapons, especially to rogue states and terrorists.

That quest is ElBaradei's story. For decades he was an intimate participant in dramatic nuclear proliferation confrontations that dominated headlines. He served as a senior official at the International Atomic Energy Agency, the United Nations nuclear watchdog and inspection arm, for 13 years (1984-97) before rising to its director-generalship in 1997. He resigned in 2009 after completing

his third term and announced his interest in running against President Hosni Mubarak in the election scheduled for this year. In 2005, he and the agency were jointly awarded the Nobel Peace Prize for their nonproliferation endeavors. Doubtless the Norwegian selectors, always ready to needle American hawks, also sought to reward his bold critique of the American-led war against Iraq, especially since they drew ill-tempered ripostes from top officials in the Bush administration, particularly "Dick Cheney and his faction."

In many ways, this David-Goliath confrontation over Iraq both drove ElBaradei in his years atop the I.A.E.A. and also inspired this memoir. The Iraq story is well known. The Bush team insisted that Saddam Hussein — who had cheated on nukes and chemical weapons once before and been caught — had or was on the verge of acquiring nuclear weapons, and they demanded I.A.E.A. inspections of Iraq to confirm it. The agency conducted 247 inspections at 147 sites in Iraq from November 2002 until March 2003 and found no violations and no nuclear weapons. Nonetheless, the United States insisted on its own "evidence" and went to war. There can be no exaggerating the negative effects of this experience on world opinion toward the United States and upon ElBaradei himself as I.A.E.A. chief.

ElBaradei's self-proclaimed mission became preventing another Iraq-type war. To this end, he significantly upgraded the agency's inspection capabilities, building on the work of his predecessor, Hans Blix. At the same time, ElBaradei decried American counterproliferation efforts as warmongering. These campaigns provided the three themes of his memoir: the need to strengthen the mandate and standing of the I.A.E.A., to restrain sword-waving by the great powers (read the United States), and to emphasize diplomacy and collective security instead.

First, and not surprisingly, ElBaradei is well aware of the atomic energy agency's handicaps. For one, its inspections are generally restricted to Non-Proliferation Treaty members and only to those sites declared by those members. Extending this limited mandate to other sites requires a strong push from the United Nations Security Council. The agency has only some 2,300 employees, a very tight budget of about $450 million and limited intelligence-gathering resources. Of course, ElBaradei wants to buttress inspection authority and capabilities. He wants more intelligence-sharing from the big powers. He is particularly angry at Washington for not disclosing its intelligence that Syria was building a nuclear facility, and then for doing nothing to stop Israel from bombing that facility in 2007. He also pushes for tougher safeguards for nuclear material and for moving control of the developmental stages of the "fuel cycle" from national to international hands.

This is all sensible but probably not attainable. While the United Nations does a number of things quite well, it is not very adept or courageous when it comes to sensitive political matters and national prerogatives. Take, for example, the curious fact that the members of the United Nations Commission on Human Rights elected Libya to its chairmanship in 2003, despite its appalling record, because it was "Africa's turn." If this is how business is done, it is unlikely that the I.A.E.A.'s board of governors and the Security Council will ever endow the agency with the common-sense powers and capabilities ElBaradei wants.

Beyond this, ElBaradei insistently describes the United States and other great powers as more the problem than the solution. In a "new era, one characterized by clandestine activity and the willingness of some countries to blatantly deceive," the Iraq experience showed "that this deliberate deception was not limited to small countries ruled by ruthless dictators." ElBaradei goes on to fault the United

States for offering direct dialogue with North Korea while refusing talks with Iran "without preconditions."

He goes on to say that Washington does not seem to understand the actual causes of proliferation, which he writes "were rooted much deeper, in the extreme economic and social inequalities that prevailed between North and South . . . and the conflicts and tensions that continued to fester in specific regions." Those tensions certainly lead to proliferation, but "economic and social inequalities" have no detectable bearing on why Libya, North Korea, Pakistan, India, Iran, Syria and Israel have pursued nuclear programs.

ElBaradei passionately advocates making diplomacy the main recourse in counterproliferation — and he's right to do so. But when he argues that "the increasing distrust between different cultures" form the barrier to "an enduring and collective security" he's on shaky ground.

His credo is diplomacy above all else, for however long it takes and whatever the risk that nuclear weapons will be built in the meantime. He exhibits more sympathy for non-Western proliferators and their needs than for the major powers and their security and political concerns. At times, his narrative comes close to condoning the motives of states that seek nuclear weapons. "Iran's goal is not to become another North Korea — a nuclear weapons possessor but a pariah in the international community — but rather Brazil or Japan, a technological powerhouse with the capacity to develop nuclear weapons if the political winds were to shift, while remaining a nonnuclear weapons state," he writes. As for Iran's concealing its nuclear program at Natanz, he says Iran "was not intending to 'hide' it per se."

And he adds his voice to those who contend that the fight against proliferation can't succeed unless the established nuclear powers (above all, America and Russia) reduce their stockpiles and move

toward nuclear disarmament. It will be many moons and unerringly effective inspections before leaders in Washington and Moscow contemplate such a course. Surely ElBaradei knows this. Nonetheless, “The Age of Deception” provides the grist for serious debate even as it helpfully chronicles the International Atomic Energy Agency’s journey and tribulations as it evolved from a relatively obscure group of technicians into an organization with growing international clout. But if those following in ElBaradei’s path think they can combat proliferation without the major powers — particularly the United States — assuming a central role, they are wrong. Checking proliferation will require more innovative and tighter cooperation between the agency ElBaradei loves and the United States, of which he no longer seems especially fond.

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Article 4.

Vanity Fair

Hillary Clinton - Woman of the World

Jonathan Alter

June 2011 -- It was four a.m. when Hillary Clinton's plane touched down at Andrews Air Force Base, and by midmorning she was in the Oval Office conferring with President Obama. The night before, as her plane was en route from Tunis, they had agreed that the vote of the United Nations Security Council to impose a no-fly zone on Libya meant that it was now decision time on launching a third American war in the Middle East, though no one in the U.S. government dared call it that. Muammar Qaddafi was ramping up his genocidal threats, pledging to show "no mercy" toward his own people (whom he described as "rats") in the eastern city of Benghazi. Inside the White House, the president quickly settled on an American bombing campaign, but he and the secretary of state thought strongly that Great Britain and France should be seen as taking the lead. They agreed that there was no choice but for Hillary to sit down in person with both British prime minister David Cameron and French president Nicolas Sarkozy. "I'm sorry, Hillary, but you're going to fly over the Atlantic again," said Obama, who was about to leave on his own foreign trip, to Brazil. So only hours after landing from Tunis, she was headed back to Paris.

By then it was clear that the "Arab Spring" of 2011 was creating tumult not just in the Middle East but inside the Obama administration. Not since the fall of Communism, in the late 80s, has a U.S. administration faced a chain reaction of foreign crises that seemed so much out of its control.

At first, Hillary looked clairvoyant: in January, when the street protests were still small in Tunisia, she lectured decrepit dictatorial

regimes at a conference in Qatar that "the region's foundations are sinking into the sand." Within days, demonstrators filled Cairo's Tahrir Square, a vibrant plea for greater freedom that swiftly spread to Jordan, Yemen, Bahrain, Oman, Libya, and eventually even Syria. But if Madam Secretary could be ahead of the curve, she was also sometimes behind it, caught in a dizzying series of upheavals that left her both exhilarated and exhausted. In early February, Hillary said the regime of Hosni Mubarak was "stable"; he was gone 17 days later. When she felt White House officials were pushing too hard in public statements for Mubarak to resign, Hillary complained to President Obama, who was unmoved. Yet on the big picture, especially the need to isolate the menacing regime in Tehran, the president and his secretary of state fully agreed. They understood immediately that, for all the facile accusations of inconsistency and hypocrisy, a one-size-fits-all foreign policy wouldn't work. Doctrines, they felt, were for the doctrinaire.

Hillary had been one of the first in the administration to privately raise the issue of a no-fly zone. But she retreated when her main ally in the Cabinet, Defense Secretary Robert Gates, loudly and publicly said a no-fly zone would mean attacking ground positions, and it was a bad idea to get involved in Libya. The White House was searching for a way to arm the rebels—a strategy Hillary found problematic—but also resisted a no-fly zone. "Lots of people throw around phrases like no-fly zone. They talk about it as though it's just a video game," White House chief of staff Bill Daley said dismissively.

Hillary decided to push her case on March 12, after the Arab League voted to request action from the U.N. Security Council—an extraordinary decision to break Arab ranks and ask the nations they had for so long denounced as colonialists to help. "Their statement moved her," said a close aide, adding that two meanings of "moved" applied.

A myth quickly arose that the women in the administration—Clinton, U.N. ambassador Susan Rice, and national-security aide Samantha Power, whose Pulitzer Prize–winning book on genocide was influential in Obama's thinking—drove the debate. "The idea that the girls pushed the boys into war is ludicrous," says Anne-Marie Slaughter, who until recently served as director of policy planning at State. "We were dismissed for months as soft liberals concerned about 'peripheral' development issues like women and girls, and now we're Amazonian Valkyrie warmongers. Please." In truth, the president, as usual, was not persuaded by anyone to change his mind. He was always a reluctant warrior and decided to intervene only when imminent atrocities in Benghazi made sitting on his hands even riskier.

What the women policymakers did do was help mobilize the alliance. Rice worked hard for the broadest possible language in U.N. Resolution 1973, to allow maximum allied flexibility, while Hillary made sure that China and Russia abstained instead of vetoing the resolution.

Hillary already spends much of her life on her plane, but for six crucial days in March she might just as well have used her seat belt as a fashion accessory, flying nearly 20,000 miles on the Washington-Paris-Cairo-Tunis-Washington-Paris-Washington route. On March 14 and 15, she met with Nicolas Sarkozy. The French president was gung-ho to attack Qaddafi, who by then was reversing rebel advances and regaining the offensive. After taking the measure of Mahmoud Jibril, recognized as one of the leaders of Libya's transitional government, Hillary agreed to U.S. intervention if the U.N. backed it. Viewing television images of the dictator's brutality from her quarters at the U.S. ambassador's residence strengthened her resolve. She took to seconding her husband's much-repeated line that the

biggest mistake of his presidency was doing nothing to prevent genocide in Rwanda.

Hillary's personal connection to Sarkozy helped cement the coalition. In 2010, Sarkozy had gallantly steadied her after a shoe had come off her foot as she climbed the stone steps of the Élysée Palace. ("I may not be Cinderella but you're certainly my Prince Charming!" Hillary inscribed a photo, which sits in his office.) Now, over mixed fruit and chocolate, the French president took the normal diplomatic flattery a step further in their "bilat" (diplo-speak for bilateral talks). "Hillary, I always like being with you," he told her. "You are tough. You are smart. You are a good person."

From Paris, on the 15th, she went with some trepidation to Cairo, where many young protesters still angry about her support for Mubarak refused to meet with her. Others vented to her face in a Four Seasons conference room before the mood changed and they talked about democracy building. Her 10 to 15 minutes in Tahrir Square the next day (where she was greeted cordially) and drop-by in Tunisia on March 17 left her small security detail jittery; the local authorities, her guards felt, had no clue what they were doing. She arrived back in Washington early on March 18 before heading across the Atlantic again. She arrived in Paris at six a.m. on March 19 and set to work rounding up support from other allies.

The rollout of the "kinetic military action" (the ridiculous euphemism used to avoid the word "war") was botched and misleading. Hillary had little warning before Sarkozy announced that French planes were in the skies over Libya. At her Paris press conference she made it seem, with her frequent references to "they" and "them"—with the U.S. providing "assistance"—that someone else was leading the intervention. Hillary was safely on her plane en route back to Washington on the evening of March 19 when the world would learn that the core of the attack—112 cruise missiles directed at Libyan

targets—was largely American. It would be another 10 days before she would go to London to arrange for the military campaign to be handled by nato. Whatever the burden-sharing logistics, the United States was in deep now, on a course that no one could predict.

Madam Secretary

For Barack Obama, the Arab Spring and its aftermath will shape just one critical piece of his record. But, for Hillary Clinton, the swirling challenges of the region are likely to determine her legacy. Many diplomats remain anxious; the world they knew has been upended. Yet they also understand that the months ahead will be Hillary's moment to help turn those ripples into a permanent tide of reform and renewal.

But Hillary's intense diplomatic efforts to forge a coalition to go to war in Libya came at the exact worst time, only two months after WikiLeaks, the whistle-blowing Web site run by Julian Assange, began posting thousands of classified State Department cables online. Candid descriptions of foreign leaders (e.g., Putin is the "alpha dog" of a "virtual mafia state") were published around the world and have already led to the departure of U.S. ambassadors in Mexico and Ecuador, with more fallout on the way. Hillary told staff that she could not fathom how an army private, Bradley Manning, with psychological problems and a drag-queen boyfriend could single-handedly cause the United States unprecedented embarrassment just by labeling massive downloads as Lady Gaga songs.

Several allies needed little comfort. "Don't worry about it," one leader told Hillary. "You should see what we say about you." Italian prime minister Silvio Berlusconi wasn't so forgiving. In 2008 the loutish media baron and billionaire had described Barack Obama as "young, handsome and bronzato (bronzed)," but after WikiLeaks he chose to play the victim. It wasn't clear whether he was genuinely upset about a cable describing him as "physically and politically

weak" or merely projecting his anger over allegations in the Italian press about his relationship with a teenage Moroccan belly dancer suspected of prostitution. Either way, he unloaded on Hillary during an awkward one-on-one in Astana, Kazakhstan.

According to a firsthand account I heard an hour afterward in a hallway near the conference room, Berlusconi told Hillary, "The press is all over me. They think the U.S. is saying that I'm vain and stay out all night. I'm tired, Hillary, very tired. I had such a good relationship with 'Beel,' 'George,' and 'Barack'—how can they say this about me?" Hillary explained that, as Berlusconi knew perfectly well, the cables were written by mostly lower-level people. "Look, Silvio, you and I have been friends for 15 years. I've been there. Nobody has had more things alleged—true or untrue—than me." Mostly she let him vent. Her background as a politician and long history with Berlusconi and others wounded by the cables helped ease the tensions.

Even as she navigates these choppy waters, Hillary's own vessel is solid and surprisingly leakproof. One of the least-noticed changes in American public life is how she has been transformed from a subject of constant gossip and calumny into a figure of consequence and little controversy. There are structural reasons: secretaries of state always exist in a zone slightly above grubby politics, which is meant—in theory, at least—to stop at the water's edge. The right-wing attack machine can apparently concentrate only on one or two villains at a time, and since 2008 it has been Obama's and Nancy Pelosi's turn in the barrel, not Hillary's. I tried for months to find people willing to lace into her. None would, not even politicians and TV blowhards who had once catalogued her distortions and dined out on despising her.

Hillary Clinton is now in her ninth straight year as the Gallup poll's "America's Most Admired Woman," but being a great secretary of

state requires more than energy, brains, and celebrity. Dean Acheson helped rebuild Europe after World War II. Henry Kissinger, who acted like the secretary of state for Richard Nixon even before he got the job, engineered the opening to China. But does anyone think Colin Powell left State with a better reputation than he had before becoming secretary? Madeleine Albright and Condoleezza Rice broke the gender barrier and were competent enough, but left no historic imprint. The State Department isn't called "Foggy Bottom" for nothing.

For any secretary of state, the prerequisite for success is a strong relationship with the president. "He's hard for her to connect with," admits one of her top people. "It's hard for her to break through to the more-than-polite level." That isn't meant to suggest chilliness or dysfunction. "Is it Bush-Baker?" the aide continues, referring to the relationship between the first President Bush and James Baker, who was so tight with his boss that he felt obliged to resign as secretary of state to run Bush's ill-fated re-election campaign in 1992. "No. But there's a lot of mutual respect, and she feels like she's always got a shot with him." Imagine how it feels to be a supplicant, looking for her "shot" at impressing the president. It was only four years ago that Hillary said her main opponent in the Democratic primaries was "irresponsible and frankly naïve" when he promised to meet with the leaders of Iran, North Korea, and other rogue regimes without preconditions during his first year in office. She hasn't forgotten who turned out to be right on that one.

One day I asked Hillary point-blank how she gets along with Obama, with whom she meets a few times a week when neither is on the road. She gave me a predictable answer, that her relationship is "not only very good professionally but very warm personally." Of course, "warm" is just another term of art in Washington, where the advice to anyone looking for a friend has long been to get a dog. When I ask

for examples, she has to pause before recalling a very public moment: a spring day in 2009 when the weather was so good that the president suggested they go outside, where they were photographed chatting at a picnic table on the South Lawn. “It was exactly what I could have hoped for. It was spontaneous and heartfelt, and we had a good time,” she says. Her second example is a full hug she and the president shared in the Situation Room after the health-care bill finally passed. She accepted the post, in November of 2008, only after President-Elect Obama—in an inspired move over the objections of many on his campaign staff—twisted not just her arm, she informed friends, but her fingers, toes, and every other bone in her body. The president, for his part, is proud of himself for choosing her. He knows that she represents the United States better than anyone but him and is—to the surprise of many Obama veterans—refreshingly low-maintenance. When budget season arrived this year and the departments all faced drastic cuts, Hillary used a Cabinet meeting to offer tips on how to avoid making cuts that would affect vulnerable people—children, the elderly—and look bad politically. (She recalled that Newt Gingrich’s effort to slash the school-lunch program, which put Gingrich on the defensive, was the real turning point in the 1995 budget debate.) Several second-tier Cabinet members thought it one of the most useful White House meetings they had ever attended.

I’ve interviewed Hillary numerous times since she was First Lady of Arkansas, and it’s usually frustrating. She’s terrific off the record: blunt, ironic, and incisive about people, including her husband. When she cuts to the nub of something and laughs infectiously, you can see why her friends consider her such good company. On the record is tougher, especially when she’s in a job where a single misplaced word can turn into an international incident. It’s not that she doesn’t trust at least some reporters; otherwise she wouldn’t risk private candor. But the distrust for the news media as a species—the sense of

being burned and burned again—long ago made her wary and sometimes defensive.

Up, Up, and Away

As secretary of state, Hillary Clinton has flown more than half a million miles to 80 countries in her two and a half years on the job. Her plane looks like Air Force One on the outside, but isn't as grand on the inside. It's one of four Boeing 757s that the military fitted with 15 ordinary coach seats for reporters in the rear, a business-class staff workspace with tables in the middle that seats about 25, and Clinton's quarters up front near an area jammed with communications gear. She spends most of her time in a small private room with a desk, a modest pullout sofa bed, and a flat-screen for secure videoconferencing. The intimacy of the quarters intensified an already awkward trip at the end of February when Samantha Power, who had been forced to resign from the Obama campaign in 2008 after calling Hillary a "monster," traveled with the secretary of state to a U.N. Human Rights Council meeting in Geneva. Some months before he died, Richard Holbrooke, the legendary special representative for Afghanistan and Pakistan, had brokered peace between them, but now no one knew what would happen en route. "It was uncomfortable, but everyone was extremely professional," said one official aboard.

For most of her thousands of hours in the air, Hillary changes out of her trademark pantsuit (yellow is her favorite color for clothes and in the décor of her homes) into a fleece top and sweats. Meals consist largely of fruit and vegetables (she has a special taste for hot peppers) and maybe a scotch or Bloody Mary. "Don't bring me the dessert!" she loudly tells the flight attendants only moments before sauntering into the staff cabin, brownie already in hand: "I know—I've been bad." Occasional cupcakes with candles are also exempt because Hillary is religious about observing staff birthdays. She resists

movies (despite a weakness for anything with Meryl Streep, especially Out of Africa), reads yet more briefing papers than she's already consumed in Washington, scans news on an iPad, and sometimes manages a few pages of a mystery, but mostly she sleeps, without any pills, often right through landing. "If she couldn't sleep most of the way," says Philippe Reines, her longtime press secretary, "she wouldn't be able to function."

Some of her best road stories involve Holbrooke, her close friend, a maestro of diplomacy for more than four decades. (Holbrooke was meeting with Hillary in her office last December when he collapsed and was rushed to the hospital, where he later died from a ruptured aorta.) At his Kennedy Center memorial service, which played more like a roast, she recalled that Holbrooke was once, in Pakistan, so insistent on making a point that he followed her all the way into the ladies' room. On boarding her plane, he would test every seat to see which was the most comfortable, then hound whichever official was assigned to it to trade with him. Hillary especially enjoyed when he would disappear into the airplane restroom and emerge like an oversize Easter bunny in his bright-yellow sleeping suit. "On hearing Winston Churchill's motto, 'Never, never, never, never give up,' [Richard] called Churchill halfhearted," she said. Hillary thinks this also perfectly captures her own theory of persistence.

Aloft, the secretary of state can often be found with a black binder clip in her hair instead of fastened onto classified documents. It helps. Her stylist, Isabelle Goetz, does her hair in Washington, but on the road—unless the ambassador's wife can recommend someone good—she takes care of herself. For years she's routinely done her own makeup, which is easier because she has good skin. And her genes seem unusually strong. Dorothy Rodham, Hillary's mother, is 92 but looks more like 80. Hillary is 63 but seems a bit younger. She is one

of those lucky people who look better—or at least not worse—with age.

All of this is relevant politically because it means that in 2016, when she's 68, she is unlikely to be written off as too old to run for president. Since the beginning of the year, Hillary has said repeatedly that she will leave office no later than early 2013 and retire from public life. In Bahrain, just before the Middle East upheaval, I heard her be more direct than ever before on the subject: "I've had a fascinating and rewarding public career .... I think I will serve as secretary of state as my last public position and then I'll probably go back to advocacy work, particularly on behalf of women and children, and probably around the world."

Hillary isn't as calculating as her public image. The 2000 Senate race, for instance, was practically serendipitous. But it's hard to believe "Clinton" and "ambition" have been fully sundered. In 2016, the Democrats are unlikely to have anyone better or more acceptable to different parts of the party. The nearer-term options are far-fetched. When Bob Woodward said on CNN last fall that Hillary's switching jobs with Joe Biden was "on the table," the reaction inside both the White House and State Department was to scoff. Neither has an incentive to switch. With the Iraq portfolio already in his pocket, Biden gets plenty of foreign-policy action. His bigger concern is staying on good terms with Hillary. In late 2009, he worried that their long and friendly relationship was in jeopardy over Af-Pak policy. He wanted few troops and heavy reliance on Predator drones; she wanted an open-ended, hugely expensive counter-insurgency commitment. The president ended up sending many more troops than Biden wanted—a total commitment of 100,000—but with withdrawal deadlines beginning this year that Clinton, siding with the Pentagon, opposed. To ease the tensions, Biden and Hillary stepped up their breakfasts and lunches where they call each other "dear."

Uncommon Ground

Hillary has often said that this is the hardest job she's ever had. It's not just the constant travel but also the speed and range of the issues she must master. She finds being secretary of state even more taxing than the 2008 campaign, where she could go on autopilot and give the same speech six times in a day, and had heard all the questions before. "With each month there's more wear and tear," says Jake Sullivan, a young lawyer and former Rhodes scholar, who has emerged as one of her closest advisers. "But she also gets more energized and comfortable." A half-dozen of her friends agree that they have never seen her more in her element. "She seems engaged, happy, focused, determined, and very tired from all the travel," observes Tom Vilsack, an early supporter from his days as governor of Iowa, who is now the secretary of agriculture. "I can't remember her ever working this much," says Dr. Irwin Redlener, who has advised her for many years on children's issues.

Despite running against each other, the president and secretary of state have a lot in common in the way their minds work—more, arguably, than either has in common with Bill Clinton. Staffers have noticed that both Obama and Hillary are methodical, secure, and human-scale when you talk to them; they're deductive thinkers who drill down into a problem. The former president, by contrast, is discursive, needy, and larger-than-life; he's an inductive thinker with a connective mind.

Of course, the sense of order and discipline that Obama and Hillary share belies significant differences that may yet re-emerge. Hillary long ago instructed staffers not to look back to the bitter 2008 primaries or criticize Obama, and for the most part they don't. But late at night, when they're safely distant from "the seventh floor" (the mahogany-lined part of the State Department where Hillary and the other power players work), aides complain that Hillary's creative

ideas are often stymied by an inexperienced White House that doesn't understand the role of drama and stagecraft in diplomacy. They say that Hillary is the daring, decisive risktaker, while the president is hampered by slow reflexes and an overly cautious and unimaginative approach. Not surprisingly, Obama hands insist this is wrong. The only significant policy difference between the two principals, they note, was over Afghanistan, where the president's policy hardly lacked boldness. On Egypt, it was Hillary who early on recommended caution and Obama who insisted that U.S. policy should be to push for an immediate transition. And they offer a domestic example for good measure: had Hillary been president, she would likely have sided with Rahm Emanuel and compromised much earlier on health-care reform, which would have meant a less ambitious bill.

Where the risktaking point might apply is in critical personnel decisions. Hillary likes the challenge of handling big, talented, difficult individuals; it's what attracted her not just to Bill but also to advisers like Richard Holbrooke. Obama (through then national-security adviser Jim Jones) almost fired Holbrooke. Although Hillary told the White House about her own exasperation with Holbrooke (a position she didn't advertise after his death), Obama's treatment of the envoy rankled both Clintons. "I never could understand people who didn't appreciate him," Bill Clinton said in his eulogy at Holbrooke's Kennedy Center memorial service. This was a not-so-veiled shot at people like Obama, who was sitting onstage nearby—the president's no-drama impatience with certain protean characters extends to his strained relationship with the former president. Hillary is caught in the middle, but doesn't appear to be making efforts to bring the two most important men in her life closer.

Even so, she works hard to keep the hatchet with Obama buried. This requires staying on good terms with his White House. Hillary has known Tom Donilon, the national-security adviser, since 1978, when

he was a 23-year-old political operative. They have lunch once a week, where sometimes—as on the details of Af-Pak escalation—they cordially disagree but know the president will decide anyway. Donilon believes you have to go back to George H. W. Bush's era to find such "alignment" among national-security principals. "She's a great team player," he says.

The biggest problem between State and the White House used to be that Cheryl Mills, Hillary's chief of staff, clashed with Denis McDonough, the deputy national-security adviser, who is close personally to the president. Now the two remind staffers of an old married couple that quarrel harmlessly. A more significant source of tension is that Hillary has long wanted the president to do more outreach to heads of state. If she had her way, the White House would have held three times as many state dinners and bilateral meetings with foreign leaders in the last two years. That might have helped with all the fence-mending and coalition-building to come.

Smart Power

Being secretary of state isn't as much fun as it sounds. Imagine having to spend your days saying things like "We must also renew our efforts toward a settlement in Nagorno-Karabakh based on basic principles elaborated under the auspices of the Minsk Group." That's Hillary's life.

Once she accepted the post, she consulted all the living secretaries of state and lots of experts on what she could get done at Foggy Bottom. I ask her what they advised, hoping to get a little closer to how she defines success. "They told me, 'You can either concentrate on a few big issues that will really make your mark, like China policy, or you can try to better manage the State Department and USAID'"—the United States Agency for International Development, the department's famously dysfunctional development arm that administers civilian foreign aid—"'so that everything that's done is

more in line with what you're trying to achieve over time,'" she recalls. "And I said, 'I don't know how you do one without the other.'"

Hillary has already had some successes, most conspicuously her use of American diplomatic leverage in the U.N. Security Council to get China and especially Russia to help isolate Iran and North Korea. She and the president have convinced the Russians that proffering military hardware to Iran isn't in their national-security interest—a tough sell. And ever since Obama bollixed up his relations with Israeli prime minister Benjamin Netanyahu, in 2010, Hillary has worked overtime to soothe Bibi. "She's indispensable—the only one trusted on all sides [of the Israeli-Palestinian conflict]," says Sandy Berger, who served as Bill Clinton's National Security Council adviser.

Most conspicuously, Hillary has championed what has come to be known as "civil society." In practice that means moving beyond the usual contacts between the United States and foreign governments to forge ties with the non-governmental organizations (NGOs) that are essential to stability and development. Like her husband, she's deployed her international stature for "convening power," bringing together governments and NGOs on a dizzying array of significant projects that would otherwise lack support.

Always a generalist, Hillary thinks concentrating too much on one area is hazardous. "We've got a big world out there, and [if] you ignore some part of it, it comes back to bite you," she tells me. So she has tried to strike a balance between hot spots and the more mundane management decisions that she thinks are necessary to elevate diplomacy and development to the level of defense. That way, the United States would have a more sophisticated, "3-D" foreign policy, looking short-term and long-term, top-down and people-up. Hillary

herself shies away from the Cineplex imagery in favor of the notion of "smart power."

"'Smart power' is the use of American power in ways that would help prevent and resolve conflict—not just send our military in," she says. "'Smart power' is closer cooperation between our development experts, our diplomats, our military leaders." Hillary offers an example: in Afghanistan, the Pentagon has a fund that allows a young American officer to take $100,000 in discretionary funds and rebuild a school on his own authority. By contrast, a diplomat or development expert trying to rebuild a school would spend months filling out forms, Hillary says, and probably still wouldn't get the money out of Congress. "We need a more agile civilian power," she concludes.

Hillary draws a distinction between focusing on relations with governments (the locus of diplomacy for hundreds of years) and stimulating change in societies, where the results are less controllable but ultimately more profound. She clearly wants to try both at once, but that intention can break down under the stress of a crisis. In the debate over the bombing of Libya, the "society" policymakers were the hawks. Their argument was caricatured by critics as purely humanitarian but was in fact strategic. The thinking here was that the U.S. must "get on the right side of history" and connect to the aspirations of young people in the region. By contrast, the Old Guard focused on nervous allies like Saudi Arabia, Turkey, and Jordan. Seeing the upheaval through the lens of stability, they were doves on the question of bombing Libya, which they thought might detract from the larger aim of containing Iran. Their mantra was "Beware unintended consequences."

While the Pentagon was clearly opposed beforehand, the other power centers in the government were more conflicted. It wasn't State versus White House, much less women versus men or old versus

young. And this is true moving forward. Some men in the White House are on the "society" side; some women in the State Department are on the "government to government" side. And many officials switch sides (and can switch back again) amid the long hours of debate. The most common sentiment among foreign-policy veterans reflects another familiar Bill Clinton line: "It sure was simpler during the Cold War."

For Hillary, the crisis mentality must eventually give way to the more mundane realities of running the department. She is midway through a five-year plan to increase the size of the State Department's foreign-service staff by 25 percent and double USAID. And she's taken a leaf from the Pentagon playbook and launched a "Q.D.D.R."—Quadrennial Diplomacy and Development Review. The idea is to ask all the agencies housed at Foggy Bottom the larger questions—like whether they are even focused on the right things. It's a huge structural project.

Hillary prides herself on sweating the small stuff, too. She's big on feedback—an intranet "Secretary's Sounding Board" is bringing the suggestion box into the modern age. She gets high marks from the high-tech community for "21st-century statecraft" like using texting to raise money for Haiti-earthquake victims and an Internet freedom agenda she is pushing aggressively. She's popular with State Department employees for practical changes like providing full benefits for same-sex partners ("Fix it!" she scolded bureaucrats who were dragging their feet) and building showers to accommodate people who cycle or run to work. In the past, meetings with foreign ministers featured nothing more than bottled water. Hillary was incredulous: "You can get coffee, tea, nuts all over the world, and in Washington you get a bottle of water?" She was told, "That's the way we do it here." Her chilly retort: "Not anymore."

The secretary runs a brisk, no-nonsense meeting. “We present and she interrogates, in the best sense of the word,” says Patrick Kennedy, the undersecretary for management. Received wisdom gets eviscerated. “Jeff, you’ve got to do better than that,” she told Jeffrey Feltman, the assistant secretary for Near Eastern affairs, one day when he presented a shopworn idea. With USAID undergoing an overhaul, she listens to every reform report, down to the details of how chlorine tablets for clean drinking water can be transported by truck in Honduras. “She’s looking at the guts of how we work,” says Dr. Raj Shah, who runs USAID.

According to old State hands, Hillary represents some of the better qualities of her predecessors. She has Baker’s obsession with preparation, reaches out like Colin Powell (who advised her to resist the efforts of bureaucrats to strip her of her BlackBerry), and offers continuity with Condi Rice’s policy on aids and Africa. But she might most resemble Ronald Reagan’s second secretary of state, George Shultz, a canny pragmatist who made significant progress in several areas without being associated with a single momentous event. Shultz was known for valuing the “career people” (foreign-service officers) and casting a wide net for advice. Hillary does that, too, though she’s still surrounded by a Praetorian Guard of loyalists from her Senate office who are too political for the taste of some diplomats in the building. (They preferred the military veterans around Powell or academics around Rice.) Her great weakness over the years was too often choosing subordinates based more on loyalty than competence. She has been better about this since moving to State, but still slow to extend her trust.

When she travels, Hillary manages to be simultaneously remote from the media (joint press conferences with foreign ministers are limited to two questions for each) and accessible to the public. Unless a crisis obliterates her schedule, she routinely subjects herself to what Reines

infelicitously calls "townterviews," a combination of university town meeting and television interview featuring a group of effusive local journalists, students, and faculty. The format allows her to promote civil society and human rights without getting in the face of the country's leaders. Often a questioner will refer to her in fractured English as "President Clinton." In Asia, this can be especially mortifying for the shy audience. She'll cheerfully reply "I wish!" or "Almost!" to disarm the situation, before going on to explain how her serving in the government of the man who defeated her is a sign of democracy's strength. Almost every trip includes meeting with leading women from local NGOs, many of whom line up to tell Hillary with what little English they can muster how inspirational she has been to their efforts. "She has almost singular recall from years back," says Kurt Campbell, assistant secretary for East Asian and Pacific affairs, who recounts being amazed at what she remembered about a group of Chinese women from a path-breaking trip in 1995. "Not just names, but obscure details about people she's met only once and hadn't been briefed on."

State of the Union

No one abroad seems interested in a subject that continues to fascinate Americans—the state of the Clintons' marriage. The truth, at present, is hardly momentous. "They've been in good shape as a couple for way longer than people realize," says one friend in a position to know. "When things are not good, they're not good at hiding it." Wherever Bill's behavior took the relationship, the friend continues, there remains "a profound level of forgiveness and attachment between them." Despite heart problems, Bill is in good health, but his weight loss—thanks to a vegetarian diet—has left him looking shrunken in person. The rumors of straying have subsided. Aides to both claim, implausibly, that the Clintons talk on the phone every day. The former president doesn't use e-mail (Hillary, by

contrast, is a BlackBerry fiend), which makes it hard to be in constant touch.

Chappaqua remains a place for them to spend time together. On weekends, when both are off the road, she often takes the shuttle up from Washington—no government plane—on Friday night and returns to her house on Whitehaven Street in Northwest Washington on Sunday night. They'll take long walks with their dog Seamus, a chocolate Labrador and the great-nephew of their White House dog, Buddy, who was struck by a car and killed in Chappaqua in 2002. Sometimes they go house-hunting in suburban New York for fun, which leads to unfounded rumors they are about to move. Frequent guests include close staff and old friends like Terry McAuliffe and investors Alan Patricof and Marc Lasry and their families.

Only a few staffers were invited to Chelsea's wedding, last July in Rhinebeck, New York, including the tiny village of women around Hillary who helped raise her: Maggie Williams, Melanne Verveer, Cheryl Mills, Capricia Marshall (now head of protocol for the government), and Huma Abedin, Hillary's indispensable "body woman" and surrogate daughter, whose marriage to New York congressman Anthony Weiner the same month as Chelsea's nuptials made Hillary feel as if she had two weddings in the family at the same time. "Her best friends are work and Chelsea, and now Marc," a close family associate says, referring to Marc Mezvinsky, Chelsea's new husband. Shortly before the wedding ceremony began, Bill, Hillary, Chelsea, and Marc went into a room together at the Astor Courts estate for a few minutes with no one else, not even Mezvinsky's (divorced) parents. "They were three and now they're four," one friend says. (Contrary to rumors, Hillary's aides say that Chelsea's marriage is going well.)

Never, Never, Never, Never Give Up

When a young man at a town-hall meeting in Kyrgyzstan asks Hillary which designers she wears, she answers immediately: "Would you ever ask a man that question?" The crowd of young people laughed and applauded. Hillary and Bill like to vacation at Oscar de la Renta's Punta Cana resort, in the Dominican Republic, but she wasn't about to mention that, or venture that Vera Wang designed Chelsea's wedding dress. Like Albright and Rice, Hillary wants women's issues to be substantive. "All the young men on our staff don't seem to think they're important," Hillary remarked archly one day in 2009, an early sign of the schisms to come. To reinforce the message she named Verveer, her former chief of staff in the White House, to be the first ambassador-at-large for global women's issues. Even amid the Sturm und Drang of the Middle East and North Africa, she's liable to leave her imprint in the same areas that brought her into public life in the first place—helping women and children and strengthening civil society. It's a straight line from the Children's Defense Fund, where she worked as a young law-school graduate, to Foggy Bottom. From micro-credit to food assistance to education, Hillary knows that women in underdeveloped villages usually spend aid money on their families, while men more often spend it on themselves, which is a polite way of saying on liquor and prostitutes. Seemingly minor changes can yield huge benefits. "As we meet … as many as three billion people are gathering around open fires or old and inefficient stoves in small kitchens in poorly ventilated houses," Hillary tells a New York philanthropic audience. "As the women cook, smoke fills their lungs and toxins begin poisoning them and their children," she explains before noting that the World Health Organization estimates that nearly two million people a year—half of them children—die from pneumonia and other ailments that are likely connected to this problem, more than twice the number of deaths from malaria. She has been involved in this cause for years, but now

has a much bigger platform to push the idea of new cookstoves that cost as little as $25 each. “This could be as transformative as bed nets or even vaccines,” she says, the excitement in her voice palpable. “We are excited because we think this is actually a problem we can solve.”

That’s rare. Development challenges and global conflicts often seem intractable, and that has to be a little discouraging at three in the morning in the skies over Kabul or Cairo. “You can’t just look at these conflicts and issues and say, ‘O.K., that’s been solved,’” Hillary says to me at the end of an interview, starting to chuckle. “Because most of these problems are never solved.” Now she’s back in dutiful, dogged mode, which happens to be the mode that best fits today’s Hillary—the one almost everyone seems to like. “You know,” she says, “you just keep working at them and working at them and working at them.” Who can argue with that?

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Article 1.

Today's Zaman

The UN's Mavi Marmara report and Turkish foreign policy

Cenap Çakmak

07 September 2011 -- The long-awaited UN report on the Mavi Marmara incident has been finally published. The report, the release of which was postponed for a while at Israel's request, was published by The New York Times before an official statement was made by the relevant UN authorities. Israel is allegedly responsible for the leak of the report.

Sources also say that shortly before the official deadline, US Secretary of State Hillary Clinton asked Turkey to agree to the postponement of the announcement of the report to late September. But the report was leaked, likely because it became evident that the report supports Israel's standpoint on the incident.

The report is significant for two reasons: First, the report now serves as a legal justification for Israel's Gaza policy, including the naval blockade as well as the raid Israeli forces carried out against the Mavi Marmara in May 2010. Secondly, Turkey viewed the report as a potential major asset, fortifying its case in the international arena as it pursues a cooling foreign policy towards Israel in connection with the Mavi Marmara incident. Apparently, however, it is no longer useful for Turkey to prove it has been doing the right thing. After the publication of the report, Turkey will have to expend greater effort to justify its stance and make its position acceptable to the world.

What does the report say? Briefly, the report confirms and supports everything Israel has already said about the Mavi Marmara incident. To summarize its points:

1. The use of force by Israeli defense forces during the raid was unnecessary and disproportionate. This could have been avoided, but Israeli forces chose not to.
2. It would be appropriate for Israel to pay some sort of compensation to the families of those who were killed during the raid.
3. Israel should also issue a statement of regret over the incident.

The report's recommendations fail to meet Turkey's demands. Even before the report was issued the Israeli government acknowledged that the use of force in the raid was excessive and unnecessary, albeit not publicly, so on that point the report paraphrases something already known. Payment to the families of the victims is also something Israel agreed to before the report. In respect to an official apology, central to Turkey's demands, the report adopts an evasive approach and instead of recommending an apology, puts emphasis upon a statement of regret. Turkey has said before that this will not be satisfactory.

Therefore the report as a whole makes recommendations contrary to Turkey's demands and supports Israel's position. The statements in the report that justify Israel's blockade of Gaza especially please Israel. Sadly, Turkey's legal objections to the blockade no longer bear any political significance.

As expected, following the release of the report, Turkey has toughened its stance with Israel. While Turkish foreign policy has not wavered despite the report's findings, the government has also stated that it does not recognize the report's validity. Shortly after the leak, Turkish Foreign Minister Ahmet Davutoğlu announced a package of sanctions against Israel. Turkey first downgraded its diplomatic ties with Israel, and the minister also declared that Turkey would take appropriate measures for safe navigation on the high seas in the eastern Mediterranean. Military agreements between Turkey and Israel have been suspended. Turkey will not recognize the Gaza

blockade and will take action at the UN General Assembly to make sure that the matter is discussed in the International Court of Justice (ICJ). And finally, Turkey will extend full support to the families of the Mavi Marmara victims in their pursuit of justice from Israel. Some of these sanctions could be considered radical; however, some of these same actions, although with some slight differences, have been taken before in Turkey's relationship with Israel. Diplomatic ties between the two countries were severed in 1980s when Israel declared Jerusalem its capital, so this is not a first. The suspension of military agreements could be viewed as significant, but it should be noted that the two countries' military ties became stronger only in the 1990s, so it's not as though military cooperation between them has existed over a lengthy period. The emphasis upon taking measures to ensure safe navigation in the eastern Mediterranean is important because Israel assumes the right to take action in the area for its own territorial security. It is possible that the two countries could have an altercation if Turkey decides to take extreme measures in this regard. Of course, this does not necessarily mean that there will be a direct conflict, but the eastern Mediterranean could become a source of tension between the two states.

The decision to seek adjudication on the Gaza blockade from the ICJ is also new, given the history of Turkish-Israeli relations, and it should be noted that this will not be easy to do. A decision by the court in such a case will not have a binding effect, as it will be an advisory opinion. Also, requesting an advisory decision from the ICJ requires a voting session at the UN General Assembly and a qualified majority vote on the issue. Turkey will need to make a great diplomatic effort to secure that majority.

From Turkey's perspective, it could be said that the report undermines its foreign policy attitude with regard to this specific incident. The report could have provided legitimate grounds for

Turkey to explain and justify its stance towards Israel. Now Turkey will have to try much harder to promote its position to the world in the absence of such support. However, this does not necessarily mean that Turkey's decision to impose sanctions against Israel is wrong. Any other decision would have meant Turkey was bowing to Israel's demands.

The report certainly undermined Turkey's position, but overall, things are not so bad in its aftermath. The policy Turkey has pursued since the Mavi Marmara incident has served its interests so far. The report could have sealed the process. The presidential statement made at the UN Security Council immediately after the incident as well as the UN Human Rights Council's decision finding the Gaza blockade illegal and Israel the culprit should be revisited. Turkey expected that this last UN report would complete the circle and drive Israel into a corner. But contrary to expectations, the report made some room for Israel to maneuver and took an opportunity away from Turkey.

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Article 2.

The National Interest

The Turkish-Israeli Cold War

Henri J. Barkey

September 7, 2011 -- On Friday, the Turkish government declared a Cold War on Israel. It kicked out Israel's ambassador, downgraded diplomatic relations with Israel to the second-secretary level and canceled the military relationship. The consequences of this crisis for the stability of the eastern Mediterranean and for the Obama administration are quite severe. The Erdogan government is now saying explicitly something it had implied for the last two years—that Washington has to choose between two allies, Ankara and Jerusalem. The Arab Spring, especially events in Syria, and the planned U.S. withdrawal from Iraq have catapulted Turkey to an unprecedented level of importance. In fact, it was not a coincidence that the day they announced their Israel policy, the Turks also gave the go ahead to the installation of radars for the missile defense system Washington has been clamoring for so long.

This diplomatic crisis between Israel and Turkey had been simmering for more than a year. Ever since Israeli forces attempting to prevent a Turkish-led flotilla from breaking through the Israeli blockade of Gaza killed nine Turkish participants, the two countries have been exchanging accusations. The current impasse, however, is the culmination of a long process of deterioration and makes foes of two countries whose relationship was once heralded as groundbreaking and strategic.

The Justice and Development Party government of Prime Minister Recep Tayyip Erdogan had begun to sour on Israel following Israel's incursion into Gaza in late 2008. Erdogan was miffed that the then Israeli prime minister Ehud Olmert, who had visited him in Ankara

only four days before the impending hostilities in Gaza, kept him in dark. As a consequence of the incursion, Israeli-Syrian negotiations that had made considerable progress under Turkish auspices fell apart, depriving Erdogan of what he thought was an important breakthrough.

After the Gaza incident at the yearly Davos meetings in Switzerland, Erdogan publicly berated Israeli Ppresident Shimon Peres, paradoxically one of Turkey's greatest supporters. Received as a hero after Davos in Turkey, Erdogan dramatically increased the stridency of his rhetoric against Israel. The Turkish prime minister became the most popular leader in the proverbial Arab street.

Then came the Mavi Marmara flotilla incident: Israelis completely bungled the operation. They disregarded the publicly available information on the Turkish group organizing the flotilla and, more importantly, sent forces to intercede without any serious training or accurate intelligence. As a result, the Israelis landing on the ship encountered resistance and fired their weapons in panic. Cue the second terrible error in judgment: Instead of facing up to the fact that it had erred in sending unprepared soldiers into what amounted to be a trap, the Israeli government circled the wagons. Given the magnitude of the fiasco and its possible ramifications, those who were responsible should have been punished. None of that happened, of course, and no one lost his or her job as a result.

As Turkey insisted on an apology and compensation, it became clear that Israel had lost the public-opinion contest and may even be forced to relax the embargo on Gaza. Having found that it had done nothing wrong, the Netanyahu government refused. If domestic politics in both countries appeared to prevent a compromise from emerging, the fact is that there were many behind the scenes diplomatic efforts, including face-to-face discussions, to resolve the problem. The United Nations formed the Palmer Commission to come up with a

face-saving way for the two countries to patch their differences. The commission's report, leaked to the New York Times, found that the Israelis had indeed used excessive force but that the Gaza embargo was legal.

On the Israeli side, hard-line foreign minister Avigdor Lieberman at every turn tried to prevent a negotiated outcome from being finalized. Turks did not make it easier either by taking inflexible positions that made it hard for the Israelis to apologize. As I understand it, in December 2010, the two sides had come close to an agreement: Israel would apologize and provide compensation. However, Jerusalem wanted the agreement to also state that it had acted in self-defense. Turks would not agree to the latter condition, and the deal collapsed. There are many on both sides of this divide who worked desperately to prevent this turn of events, and they must feel terribly unhappy and bruised.

Significantly, it appears that Turkey's tactics shifted considerably in the intervening year since the original crisis. Ankara thinks that it is in the driver's seat not just with respect to Israel, but also the rest of the Middle East. This is a gambit for leadership in the region. The Turks have gone beyond the demand for an apology by conditioning a return to the status quo ante on the lifting of the Gaza embargo, something to which they know Israel cannot and will not acquiesce. That conditionality is something that no other regional government has ever contemplated, much less articulated. By doing so Erdogan has once again captured the imagination of the region.

This is a win-win for him not just abroad but also at home. The crisis with Israel will help him change the narrative as he begins to push for a much-needed and major overhaul of the Turkish constitutional system—it must be updated to start accommodating Kurdish demands, something that will be terribly difficult as the reforms go against almost ninety years of republican history. The Israel crisis, as

evidenced by the heated rhetoric, is a perfect foil that can be easily activated at a moment's notice.

Israel, for historical, emotional and realpolitik considerations, has been one of Washington's closest allies with great support of both aisles of the political divide. A deepening crisis could even pit the administration against Congress. This may be one of the outcomes the Turks are banking on. The Netanyahu government has much to answer for in its lack of leadership and navel gazing. But Washington did not read Turkish intentions and goals accurately and therefore could not prevent this turn of events. Whichever way one looks at it, it is a failure of U.S. diplomacy that it will now have to constantly have to act as a buffer between two of its close allies.

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Article 3.

Los Angeles Times

Palestinian negotiator Saeb Erekat on statehood moves at U.N.

Edmund Sanders

September 6, 2011 -- Palestinians have everyone guessing about their next move. Defying the United States and Israel, the Palestinian Authority is expected this month to apply for full membership in the United Nations. If the Obama administration vetoes the application in the Security Council as expected, Palestinian officials are likely to turn to the General Assembly to upgrade their status from non-member "entity" to non-member "state." Gaining de facto statehood recognition from the international body could allow Palestinians to join key U.N. institutions, such as the International Criminal Court. Palestinian leaders say they have enough votes for such a move. But with two weeks before the General Assembly convenes, they have remained vague about their exact plans, and have refused to say exactly what a U.N. membership application or General Assembly resolution might say. Palestinian negotiator Saeb Erekat, a member of the Palestine Liberation Organization's executive committee, discussed with The Times what Palestinians are planning and why he thinks the U.N. bid, if unsuccessful, could spell the end of the Palestinian Authority.

There's been a flurry of last-minute pressure from the U.S. and Mideast "quartet" to convince Palestinians to shelve the U.N. membership bid. [White House envoys David Hale and Dennis Ross arrived in the region Tuesday.] Any chance of that happening?

Why? I don't see any contradiction between an effort to revive peace talks and our going to the U.N. Also, [for all practical purposes] we are already at the U.N. It's there.... And all those who support the 1967 lines [the border before Israel seized the West Bank during that year's Middle East War] with mutually agreed swap [of land] should support our endeavor.

The Obama administration doesn't support your bid, though it supports using the 1967 lines with swaps as the baseline for the border of a Palestinian state.

We urge the U.S. to see it the way it is. We are trying to preserve the two-state solution in the face of an Israeli government that is determined to destroy it. Going to the U.N. is an attempt to preserve the two-state solution so Palestinians and Israelis can live side by side in peace and security.

What's your plan if the U.S. vetoes full membership? Have Americans told you they will veto?

The U.S. told us that the U.N. is not an option they will support. I hope they will not veto. How will they explain a veto?

They say that direct negotiation with Israel is the only way to reach a deal.

What have we been doing for the past 20 years? What have we been doing since [President George H.W.] Bush told us that if we recognize Israel, accept the two-state solution and renounce violence, the U.S. will stand shoulder to shoulder with us?

Assuming there is a veto, what would you gain by upgrading your status in the General Assembly?

The advantage is that you can be a full member of UNESCO, the International Court of Justice and the International Criminal Court, and you may be able to hold Israel accountable.

So that's the plan if you fail in the Security Council?

We haven't decided yet beyond that. We would have to come back and put the question to the leadership. There were nine ideas presented about what to do if America vetoes. Was going to the General Assembly discussed? Yes. Was throwing in the towel discussed? Yes. Maybe we'll make a decision about that in the next two weeks.

Throwing in the towel? You mean disbanding the Palestinian Authority?

The Authority was born to transfer Palestinians from occupation to independence. If Mr. [Benjamin] Netanyahu [the Israeli prime minister] thinks he can make this Authority in name only while he is the sole master and source of authority, he will sweat. If we get a [U.S.] veto and Netanyahu continues to build the settlements, I would suggest that Netanyahu study carefully the provisions of the Hague Convention of 1907 and the Geneva Convention of 1949 which specify the responsibilities of the occupying power.

If you fail in the Security Council and don't at least upgrade in the General Assembly, won't you risk looking like a failure in the eyes of Palestinians, particularly after all this buildup? Have you

managed their expectations?

Palestinians know exactly what's happening. People don't have high expectations.... But maybe the Palestinian leadership should tell the people that after 20 years we don't have a partner and we cannot continue to be an authority in name only. That we should throw in the towel.

Many see that as a bluff. Wouldn't you be throwing away years of progress, institutions, security forces and putting hundreds of thousands of people out of work?

We haven't made a decision. I'm not asking for the disbanding of the authority. But I'm asking: Is this the authority that will take us to independence? It's a joke.... The status quo is the worst situation for us, worse than any storm that might come. I'm not in a position to bluff or make threats. It's about choices.

It sounds like you are hoping that Israel will cry uncle.

Eighteen years ago I would have accepted this argument. But now I'm a grandpa. I used to tell my wife that I never wanted my children to go through what I went through, but then they did. And I didn't want my grandchildren to go through it, and they are.

How does any of this get Israelis and Palestinians closer to an agreement or get Palestinians closer to statehood?

At least I won't be looking in the mirror and telling myself that I'm fooling my people.

After 20 years of failed peace talks, is it possible that the two sides' positions on borders, refugees and other issues are just unbridgeable and no amount of talks will make a difference?

Peace between conflicting parties is not about Saeb Erekat waking up one morning and feeling his conscience aching for Israelis or Israelis waking up and feeling their conscience aching for my suffering. It's about the matrix of interests maturing. Once any conflicting party believes that making peace is cheaper than continuing war, he'll do it. Our matrix of interest has matured to deliver the requirement for peace, but Israel hasn't opened the door. They think maintaining the status quo is best for them. We are trying to show them that the status quo is not sustainable.

Article 4.

Spiegel

'What's Wrong with the Palestinians Appealing to the UN?'

An interview with Arab League Head Nabil Elaraby

Pro-democracy uprisings are continuing in the Middle East and the Palestinians could soon declare statehood. SPIEGEL spoke with Arab League General Secretary Nabil Elaraby about the Syrian regime's use of violence against protesters and how the US has failed to force Israel to negotiate in good faith.

SPIEGEL: Libya has been liberated from Moammar Gadhafi's autocratic rule. Tensions in Syria, meanwhile, have already claimed more civilian lives than the revolutions in Egypt and Tunisia combined, and yet the Arab League is holding back. Why are you going easy on the Syrian regime?

Elaraby: Syria isn't Libya. Libya has always been largely isolated. What happened there had little effect on neighboring countries. It's a completely different situation with Syria. The country holds a key position in the region. What happens there has a direct impact on Lebanon and Iraq. In addition, Gadhafi used heavy weapons from the start, but Assad hasn't.

SPIEGEL: Yet tanks have been deployed in Hama, Homs and Latakia for some time.

Elaraby: When I flew to Syria 10 days after taking office, they also tried to tell me that there had been no riots in Aleppo or Damascus. I was told that gun battles had only occurred in a few towns near the border, because rebels had fired on security forces there.

SPIEGEL: That, of course, is far from the truth.

Elaraby: I delivered a clear and unambiguous message to (Syrian President) Bashar Assad. I called on him to institute reforms, stop the violence and facilitate a peaceful transition into a new era.

SPIEGEL: We're hearing that for the first time.

Elaraby: It was a sensitive issue that I couldn't make public at the time. Assad promised me that he would introduce changes. But now almost two months have passed, and I don't see any reforms.

SPIEGEL: What are you asking for? Regime change?

Elaraby: That's something for the Syrian people to decide for themselves. No one can dictate to a sovereign nation how it should change.

SPIEGEL: What would have to happen for the League to take a stronger position against the Syrian regime, as it did in Libya?

Elaraby: Things are still in flux. Only the United Nations has the right to make decisions on the use of force. Even the Arab League has no mandate to bring about change by force in a member state.

SPIEGEL: Still, the Arab League has been militarily active in the past. In 1961, for example, it sent a special force to Kuwait to protect it from an imminent Iraqi invasion. Don't you need this kind of a strike force, not unlike the UN peacekeeping force?

Elaraby: Given the majorities within the League, I don't think that's realistic. But I do insist on compliance with human rights. The people, the citizens, have to be protected, and not just in Syria.

SPIEGEL: Many Arabs now feel that your institution is not very efficient.

Elaraby: The historic moment of change has gripped the entire region, and sooner or later it will change all Arab countries. The League will certainly need to adjust to that. We must be capable of reacting quickly to unexpected developments.

SPIEGEL: Surely there are a few member states, most notably Saudi Arabia, which will hardly support such changes.

Elaraby: I too have my doubts there. Nevertheless, we still have to try, and we have to take seriously the human rights established by the UN, which all countries in the League have recognized.

SPIEGEL: How does Saudi Arabia's foreign minister explain that his country supports the Syrian opposition, on the one hand, while at the same time sending troops to Bahrain?

Elaraby: I don't ask him these questions. That's your job. You're the journalists.

SPIEGEL: Do you support the Palestinian Autonomous Authority in its aspiration to have the UN General Assembly give its blessing in September to the establishment of a State of Palestine?

Elaraby: UN Resolution 181, adopted in 1947, is the birth certificate for two nations, Israel and Palestine. What's wrong with the Palestinians appealing directly to the UN after 20 years of negotiations with Israel? They could spend another 20 years negotiating without results, because the Israeli government doesn't even want to put an end to the conflict. The Israelis are only serious about gaining more land and expanding the settlements.

SPIEGEL: So you support the Palestinian initiative?

Elaraby: Support? We are doing everything in our power to back it.

SPIEGEL: The Americans have threatened tough consequences…

Elaraby: That's an unacceptable position for us! The strongest and richest country in the world is incapable of making a commitment. Instead, someone from Tel Aviv or Jerusalem is telling them what to do.

SPIEGEL: Won't this stance lead to tensions between the Arab League and the United States?

Elaraby: I hope it doesn't come to that. If the Americans had fulfilled the promises they made many years ago and had forced the Israelis to engage in serious negotiations, the problem would have been solved already.

SPIEGEL: The German government has also announced that it will not support the Palestinians' plan.

Elaraby: I heard what (German Chancellor) Angela Merkel said. She cited the Germans' unique responsibility to the Jews. But the Germans also have a responsibility to the Palestinians.

SPIEGEL: The radical Islamic group Hamas, which controls the Gaza Strip, also doesn't recognize Israel.

Elaraby: Has Israel recognized Hamas? That sort of thing is based on reciprocity.

SPIEGEL: But the Islamists in the Gaza Strip are the ones firing rockets at Israeli cities.

Elaraby: That shouldn't be happening. It's wrong, and we do say that to them. Palestinian President Mahmoud Abbas constantly implores them to stop condoning the firing of rockets. The fact is that there are extremists on both sides.

SPIEGEL: Will there ever be another war between an Arab country and Israel over Palestine?

Elaraby: Completely out of the question.

SPIEGEL: You took the position of secretary-general two months ago, during a turbulent time. Do you think it's possible that you will resign if the pressure becomes unbearable?

Elaraby: Yes, absolutely. It's in my nature. Indeed, I'm not sure that I can stand it much longer.

Article 5.

Wall Street Journal

From 9/11 to the Arab Spring

Fouad Ajami

September 8, 2011 -- The Arabic word shamata has its own power. The closest approximation to it is the German schadenfreude—glee at another's misfortune. And when the Twin Towers fell 10 years ago this week, there was plenty of glee in Arab lands—a sense of wonder, bordering on pride, that a band of young Arabs had brought soot and ruin onto American soil.

The symbols of this mighty American republic—the commercial empire in New York, the military power embodied by the Pentagon—had been hit. Sweets were handed out in East Jerusalem, there were no tears shed in Cairo for the Americans, more than three decades of U.S. aid notwithstanding. Everywhere in that Arab world—among the Western-educated elite as among the Islamists—there was unmistakable satisfaction that the Americans had gotten their comeuppance.

There were sympathetic vigils in Iran—America's most determined enemy in the region—and anti-American belligerence in the Arab countries most closely allied with the United States. This occasioned the observation of the noted historian Bernard Lewis that there were pro-American regimes with anti-American populations, and anti-American regimes with pro-American populations.

I traveled to Jeddah and Cairo in the aftermath of the 9/11 attacks. In the splendid homes of wealthy American-educated businessmen, in the salons of perfectly polished men and women of letters, there was no small measure of admiration for Osama bin Laden. He was the avenger, the Arabs had been at the receiving end of Western power, and now the scales were righted. "Yes, but . . . ," said the Arab

intellectual class, almost in unison. Those death pilots may have been zealous, but now the Americans know, and for the first time, what it means to be at the receiving end of power.

Very few Arabs believed that the landscape all around them—the tyrannical states, the growing poverty, the destruction of what little grace their old cities once possessed, the war across the generations between secular fathers and Islamist children—was the harvest of their own history. It was easier to believe that the Americans had willed those outcomes.

In truth, in the decade prior to 9/11, America had paid the Arab world scant attention. We had taken a holiday from history's exertions. But the Arabs had hung onto their belief that a willful America disposed of their fate. The Arab regimes possessed their own sources of power—fearsome security apparatuses, money in the oil states, official custodians of religion who gave repression their seal of approval. But it was more convenient to trace the trail across the ocean, to the United States. Mohammed Atta, who led the death pilots, was a child of the Egyptian middle class, a lawyer's son, formed by the disappointments of Egypt and its inequities. But there was little of him said in Egypt. The official press looked away.

There was to be no way of getting politically conscious Arabs to accept responsibility for what had taken place on 9/11. Set aside those steeped in conspiracy who thought that these attacks were the work of Americans themselves, that thousands of Jews had not shown up at work in the Twin Towers on 9/11. The pathology that mattered was that of otherwise reasonable men and women who were glad for America's torment. The Americans had might, but were far away. Now the terrorism, like a magnet, drew them into Arab and Muslim lands. Now they were near, and they would be entangled in the great civil war raging over the course of Arab and Muslim history.

The masters and preachers of terror had told their foot soldiers, and the great mass on the fence, that the Americans would make a run for it—as they had in Lebanon and Somalia, that they didn't have the stomach for a fight. The Arabs barely took notice when America struck the Taliban in Kabul. What was Afghanistan to them? It was a blighted and miserable land at a safe distance.

But the American war, and the sense of righteous violation, soon hit the Arab world itself. Saddam Hussein may not have been the Arab idol he was a decade earlier, but he was still a favored son of that Arab nation, its self-appointed defender. The toppling of his regime, some 18 months or so after 9/11, had brought the war closer to the Arabs. The spectacle of the Iraqi despot flushed out of his spider hole by American soldiers was a lesson to the Arabs as to the falseness and futility of radicalism.

It is said that "the east" is a land given to long memory, that there the past is never forgotten. But a decade on, the Arab world has little to say about 9/11—at least not directly. In the course of that Arab Spring, young people in Tunisia and Egypt brought down the dreaded dictators. And in Libya, there is the thrill of liberty, delivered, in part, by Western powers. In the slaughter-grounds of Syria, the rage is not directed against foreign demons, but against the cruel rulers who have robbed that population of a chance at a decent life.

America held the line in the aftermath of 9/11. It wasn't brilliant at everything it attempted in Arab lands. But a chance was given the Arabs to come face to face, and truly for the first time, with the harvest of their own history. Now their world is what they make of it.

Mr. Ajami is a senior fellow at Stanford University's Hoover Institution and co-chair of the Working Group on Islamism and the International Order.

Article 6.

Guardian

Israel should be wary of celebrating the 'Shia crescent' setback

Jonathan Spyer

7 September 2011 -- Mahmoud Ahmadinejad's backing of the Syrian regime during the recent upheaval has damaged his standing in the Middle East. Photograph: Abedin Taherkenareh/EPA

In recent years, Israeli strategists have identified an Iran-led regional alliance as representing the main strategic challenge to the Jewish state. This alliance looks to be emerging as one of the net losers of the Arab upheavals of 2011. This, however, should be cause for neither satisfaction nor complacency for Israel. The forces moving in to replace or compete with Iran and its allies are largely no less hostile. The Iran-led regional alliance, sometimes called the muqawama ("resistance") bloc, consisted of a coalition of states and movements led by Tehran and committed to altering the US-led dispensation that pertained since the end of the cold war.

It included, in addition to Iran itself, the Hezbollah movement in Lebanon, the Sadrist movement and other Shia Islamist currents in Iraq, Syria's Assad regime, and the Palestinian Islamic Jihad organisation. It appeared in recent years also to be absorbing Hamas.

The muqawama bloc presented itself as the representative of authentic Islamic currents in the Middle East, and as locked in combat until the end with the west and its clients. These included Saudi Arabia, Hosni Mubarak's Egypt, and above all, Israel.

However, the alliance always had a rather obvious flaw: while presenting itself as an inclusive, representative camp, it was an almost exclusively Shia Muslim club, in a largely Sunni Muslim Middle

East. The Iranians evidently hoped that militancy against the west, above all on behalf of the Palestinians, could counteract the league-of-outsiders aspect of their alliance. For a while, this project appeared to be working. The Iran-created and sponsored Hezbollah movement managed to precipitate Israeli withdrawal from south Lebanon in 2000, and then avoided defeat in a subsequent round of fighting in 2006. In a poll of Arab public opinion taken in 2008, the three most popular leaders were Hassan Nasrallah, Bashar al-Assad and Mahmoud Ahmedinejad, in that order. But this sense of inexorable ascendancy in which the Iran-led bloc liked to cloak itself has fallen victim to the Arab spring. First, the Saudis crushed a largely Shia uprising in Bahrain which the Iranians backed. But more importantly, Iran's tooth and nail defence of the brutal Assad regime in Syria is progressively destroying its already shallow support Sunni Muslims. Thus, a recent poll by the Arab-American Institute asked more than 4,000 Arabs their view of Iran. In Saudi Arabia, 6% had a positive view – down from 89% in 2006. In Jordan, the positive rating fell from 75% to 23%, in Egypt from 89% to 37% in the same period.The uprising in Syria placed Iran in an impossible position. Maintaining its ally in Damascus formed an essential strategic interest. Iran hoped, following the US departure from Iraq, to achieve a contiguous line of pro-Iranian, Shia states stretching from Iran itself to the Mediterranean. But keeping this ambition alive in recent months required offering very visible support to a non-Sunni regime engaged in the energetic slaughter of its own, largely Sunni people. This has led to the drastic decline in the standing of the Iranians and their friends. Such a decline was probably inevitable. Outside the core areas of Shia Arab population, Iran's support was broad but shallow. It is noteworthy that since the Arab Spring, Hamas appears to have distanced itself both from Assad and from the Iranians. According to

some reports, this has led to Iranian anger and a cessation of the flow of funds to the Hamas enclave in Gaza.

These setbacks do not mean the end of Iran and its allies as a regional power bloc. Assad has not yet fallen. The Iranian nuclear programme is proceeding apace. Tehran's Hezbollah client is in effective control of Lebanon. But it does mean that in future the Iranian appeal is likely to be more decisively limited to areas of Shia population.

The less good news, from Israel's point of view, is that the new forces on the rise in the region consist largely of one or another variant of Sunni Islamism. AKP-led Turkey has emerged as a key facilitator of the Syrian opposition, in which Sunni Islamist elements play a prominent role. Turkey appears to be in the process of making a bid for the regional leadership also sought by Iran. In Egypt, too, the Muslim Brotherhood and other Islamist forces look set to reap an electoral dividend in November. The Sinai area has already become a zone of activity for Islamist terror directed against Israel, because of the breakdown in law and order in recent months. The attacks on the pipeline bringing Egyptian gas to Israel, and the recent terror attack in Eilat, are testimony to this. So while the "Shia crescent" may have suffered a strategic setback as a result of the upheavals in the Arab world, the space left by the fall of regional leaders looks to be filled largely by new, Sunni Islamist forces. Israel remains capable of defending itself against a strategic threat posed by any constellation of these elements. But the current flux in the region is likely to produce a more volatile, complex Middle East, consisting of an Iran-led camp and perhaps a number of Sunni competitors, rather than the two-bloc contest of pro-US and pro-Iranian elements which preceded 2011.

Jonathan Spyer is a senior research fellow at the Global Research in International Affairs Center.

Article 7.

Daily Beast

Mideast's Changing View of America

Randall Lane

September 8, 2011 -- Among the findings:

- An exclusive Newsweek–Daily Beast poll of 1,000 Egyptians reveals that a majority (53 percent) doesn't believe that al Qaeda was responsible for the Twin Tower attacks—instead affixing blame to Israel, the U.S. government, or an unknown entity.
- In the same survey, 62 percent either don't believe the U.S. killed Osama bin Laden or they aren't sure.
- Only 11 percent of Egyptians think America cares about their interests.

To understand America's current standing in the Arab world 10 years after 9/11, it's instructive to visit Obros, a coffeehouse-cum-nightclub in Beirut. The place is a tribute to Kennedy-era "American kitsch," and its 35-year-old proprietor Joulan El Aschkar displays a sophisticated touch, from Pierre Cardin–period wallpaper to Mad Men–worthy vintage furniture and electronics to 100 gigabytes of forgotten '60s hits like B. J. Thomas's "Raindrops Keep Falling on My Head," rotating with fully intended irony.
I'm merely there for free Wi-Fi, but when El Aschkar notices an actual American in his shrine to America, he eagerly engages me in conversation, then directs my laptop to his family's website—solely devoted to the idea that the World Trade Center attack was an inside job perpetrated by U.S. neocons. "I just ask questions," he shrugs mischievously. "The American version isn't credible."

This duality—desperate need for love entwined with either willful ignorance or even nuanced hate—has underlain the Arab view of America for a generation, unchanged even by the collapse of the Twin Towers. But based on my recent trip across the region, a confluence—Arab Spring and the technology that empowered it—has provided the U.S. a new chance to push reset with a half-billion Arabs, as long as it can shout louder than increasingly sophisticated bunk merchants like El Aschkar.

Ask about basic political facts—al Qaeda's responsibility for 9/11, or the death of Osama bin Laden—and even the most educated will start popping off inanities.

I've been dealing with this frustrating relationship for much of the past decade. Shortly after 9/11, in an effort to win Arab "hearts and minds" in the mold of the Voice of America and Radio Free Europe, the State Department poured hundreds of millions into a new public-diplomacy initiative, overseen by former ad executive Charlotte Beers and then Bush communications czar Karen Hughes. In short order came Radio Sawa ("together"), television's Alhurra ("the free one") and Hi Magazine (named for the one English word the whole world knows), which, inspired by the post-9/11 call to service, I steered editorially in print and online in 2003 and 2004.

Hi, sold on newsstands in 20 Arab countries, was charged with providing a window into, and dialogue with, the U.S. for Arabs between 18 and 35. To maximize the project's efficacy, I conducted perhaps the most extensive qualitative study of Arab sentiment about America in the post-9/11 era. With two colleagues, I traveled across the Arab world—the United Arab Emirates, Egypt, Lebanon, and Morocco—for two weeks on what we called a "listening research tour," interviewing scores of young Arabs individually, in focus groups and at giant roundtables, using Hi as proxy for the region's perpetual question: what do you think about the U.S.? While the

magazine's scope was strictly cultural, the answer eight years ago, on the heels of the Iraq invasion, usually came down to some combination of the words "America," "Bush," and local expletives. Curious about whether that had changed, I repeated that itinerary this summer, conducting a dozen panels in those same four countries, with subjects representing the diversity of the Arab World, from fully covered Persian Gulf oil heiresses to skirt-donning Beirut Christians to democracy-minded Tahrir Square veterans to Casablanca slum kids fending off suicide-bomber entreaties. Their viewpoint again proved surprisingly consistent—and had shifted dramatically from my last go-round.

That background narrative, it turns out, drives everything. It's hard to overstate the Iraq War's effect on brand America: it fed into Arab insecurities, exploited in turn by regional demagogues, that outsiders are at fault for whatever ails them. At one raucous meeting at a university in Casablanca, which we later dubbed "The Pinata Session," 120 students eager to tee off on an American, any American, swarmed what was supposed to be a meet-and-greet with two dozen journalism majors, showering us with two hours of prewritten diatribes.

Contrast that with my recent visit to Casablanca, where I happened upon a parade of 20,000 protesters, stretched across a half mile, calling for democratic reforms from the autocratic King Mohammed VI. For two hours, the placard-raising marchers chanted in unison—The people of Libya and Syria keep getting killed—they're not afraid!.... Shakira got a million! (a reference to the singer's fee at a royal event)...Look, see, the people are scary!—and precisely zero had anything to do with America (or Israel, for that matter). "The consensus is this: it's a Moroccan problem," Reda Oulamine, a top opposition leader, told me during the march, "and it's being decided by the Moroccan street."

This attitude shift proved universal across the region. Iraq was almost never mentioned, nor was 9/11 or al Qaeda, and rather than rail at what America had imposed on them, the young Arabs instead criticized how America reacted to them. (President Obama's failure to support Egyptian revolutionaries until after Mubarak was clearly a goner, and his inconsistency helping Libya's rebels, but not Syria's, were both widely criticized.) By taking control of their own fates, in reality and perception—highly important in this prideful culture—the conversation has become more respectful and adult.

So it was that in 2011 I found myself having the kind of dialogue that Hi, whose funding was pulled in 2005, had always aspired to have. Over lunch in the dark basement of Tabouleh, a restaurant in Cairo's Garden City, seven Egyptian bloggers, including many of the digital heroes of the Tahrir Square Facebook revolution, debated U.S. subsidies to Egypt. "We don't want money," says one blogger, Safa. "We want to make sure we go the right way." No, counters Ahmad, "we need the money, but it must be with no strings attached." Eventually, the talk turns to nuts-and-bolts democracy, the real Jefferson-Hamilton stuff (one of the bloggers, Karim, had already requested a translated copy of the Constitution): federalism, the role of the military, and, above all, the peaceful transfer of power that inspires quadrennial awe worldwide.

Such technology-fueled enlightenment comes with an equally perilous downside, as evidenced by my conspiracy-minded Beirut coffee-shop friend. Ask this group, or any others about basic political facts—al Qaeda's responsibility for 9/11, or the death of Osama bin Laden—and even the most educated, whether blogger or student or lawyer, will start popping off inanities. "Aw, they're sick about plots," Gibran Tueni, the Western-oriented editor of Beirut's Al-Nahar had warned me on my first trip to the region, less than two years before he was killed by a car bomb. "Whenever they see

something that isn't there, they say, ahhh." And that was before YouTube, Google, and WikiLeaks.

Indeed, an exclusive Newsweek–Daily Beast poll of 1,000 Egyptians reveals that, with the 10th anniversary of 9/11 approaching, a majority (53 percent) don't believe that al Qaeda was responsible for the Twin Tower attacks, instead affixing blame to Israel, the U.S. government or an unknown entity. This kind of dangerous misinformation carries into even the most recent current events. In the same survey, 62 percent either don't believe the U.S. killed Osama bin Laden, or they aren't sure.

Even among the friendliest audience that could be assembled—a class at an American-run English-language school—skepticism reigns, and a random YouTube video carries as much weight as a New York Times front-page story.

"We haven't seen any proof that he's actually dead—or even existed," says 17-year-old Manal Maatiri.

"We need to see it to trust it," Houda Biyad, a 28-year-old medical assistant, chimes in.

"We need evidence," adds 17-year-old Buhary El-Quasamy. When I point out that both Obama and al Qaeda agree on the basic facts that the U.S. killed bin Laden, she shrugs. "Well, I can say anything I want, too."

Such are the responses when the region's leaders—and the press they controlled—have systematically lied to their citizens for 30 years, ingraining a distrust in what leaders or the media says that borders on absolute.

But perhaps there's also a dividend from such cynicism. Every survey shows widespread Arab antipathy for American policy—the Newsweek–Daily Beast poll found that only 11 percent of Egyptians think America cares about their interests. But when you pull back the layers, cutting through the decades of institutional demagoguery, the

qualities America inspires would warm the heart of any marketing manager.

As an ice-breaking exercise, I asked everyone I interviewed on my trip to free-associate the first word they thought about when they hear "America." There were numerous cynics ("greedy," "consumerism," "McDonald's") and the occasional outlier ("Sex and the City"), but a majority repeated affirmative terms like melting pot, power, democracy, modernity. Even a majority of jaded Newsweek–Daily Beast poll respondents said that the U.S. had a positive effect on the world—the highest of any nation we asked about. Blend it all together, and that's an image of America well positioned for the new Arab World.

From: Jeffrey Epstein [jeevacation@gmail.com]
Sent: 2/8/2013 9:05:33 PM
To: Bill Siegel [[redacted]]
Subject: Re: Fro- The Control Factor - Frontpage Magazine interview
Attachments: image001.gif; image005.jpg; image007.png; image006.jpg; image004.png; image002.jpg; image003.png

SAAAAAAAAAAAFe good boy

On Fri, Feb 8, 2013 at 5:02 PM, Bill Siegel <[redacted]> wrote:
Stillllllllllllll just engaged. I meant shirley

From: Jeffrey Epstein <jeevacation@gmail.com>
To: Bill Siegel
Sent: Fri Feb 08 15:49:51 2013
Subject: Re: Fro- The Control Factor - Frontpage Magazine interview

shirley or your wife

On Fri, Feb 8, 2013 at 4:48 PM, Bill Siegel <[redacted]> wrote:
I will let you know when I go back. Do you know her?

From: Jeffrey Epstein <jeevacation@gmail.com>
To: Bill Siegel
Sent: Fri Feb 08 15:16:44 2013
Subject: Re: Fro- The Control Factor - Frontpage Magazine interview

great. place.. when will you go.. did you get married? i m between alber and santa fe,, zorrro ranch, you can google earth it.

On Fri, Feb 8, 2013 at 4:10 PM, Bill Siegel <[redacted]> wrote:
You ok? I became friendly with shirley maclaine last year and went to her ranch in sante fe. I may go back and remembered you own half the ranch land there or something. Do you still like it there?

From: Jeffrey Epstein <jeevacation@gmail.com>
To: Bill Siegel
Sent: Fri Feb 08 14:58:01 2013
Subject: Re: Fro- The Control Factor - Frontpage Magazine interview

I already rad it. congragulations hope to see you soon

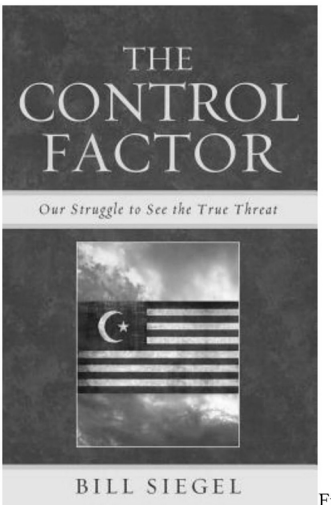
On Fri, Feb 8, 2013 at 3:40 PM, Bill Siegel <[redacted]> wrote:
Bill Siegel hopes this might be of interest to you: http://frontpagemag.com/2013/jamie-glazov/the-control-factor-our-struggle-to-see-the-true-threat/

The Control Factor: Our Struggle to See the True Threat

February 8, 2013 By Jamie Glazov Comments (6)

22

Print This Post



FrontPage Interview's guest today is Bill Siegel, a lawyer and business executive. He has been a producer of several documentary films and assists numerous non-profit organizations. He is the author of The Control Factor: Our Struggle to See the True Threat.

FP: Bill Siegel, welcome to FrontPage Interview.

Congratulations on this brilliant book. It is without question one of the most vital works of our time.

Let's begin with what inspired you to write it.

Siegel: Thanks for having me Jamie. As a young boy born in the mid 1950s, I was fascinated with footage of Hitler and the Third Reich and could never understand how the Jews of the time could not see the evil that seemed so obvious. Not yet appreciative of the benefit of hindsight, I could not comprehend the blindness. Following 9/11, like so many others, I began to study Islam, its history, its current movements, terrorism and so on. As I would learn one stunning aspect after another, I would discuss them with friends and associates. Rather than confront the facts I would present, they would find one clever way after another to avoid the frightening truth of what America and the West truly face. Their fear appeared obvious to me. I began to catalog many of my friends' different maneuvers to dispel the anxiety that they found so difficult to endure. The more I focused on their mental processes (as well as my own) the more I began to see a structure to the mental endeavor and to understand what I had, as a child, found so difficult to explain.

FP: Tell us about the Control Factor, what you describe as "that effort our minds enga ge in in order to keep us blind" and that "process of a voiding seeing the threats we face." It's also about, as you state, trying to

believe that the threat is under our control, when in fact it is not. Kindly enlighten us as to these profound insights you make in terms of the Control Factor.

Siegel: First, let's distinguish the "real world" where real battles are taking place from the mental battlefield which occurs in each of our minds. We tend to believe our perceptions are simply clear realizations of what is "out there" and overlook how much our internal worlds can literally determine what we see. When our internal minds become anxious and sense a loss of "control," they tend to concoct ways to distort our perceptions so as to restore that sense of inner control. I describe the Control Factor as an "active and continuous process" designed to maintain that sense, if not illusion, of control. We natural ly think that our thinking and feeling processes are passive; that they just happen. Yet when faced with truly frightening prospects, the mind is geared to actively distort.

Similarly, the sense of control must be continuously maintained so the Control Factor operates constantly. In turn, the sum of this active and continuous undertaking makes these perceptions all the more familiar and thus seemingly all the more "real." In one sense, the Control Factor is the mechanism of what Andy McCarthy entitled one of his numerous excellent books- willful blindness. The Control Factor is cleverer than we are aware; that is almost tautological as, if our minds are to create ways to keep us in denial, they must out maneuver our conscious thinking.

Since World War II, America has had limited experience with threats coming to the homeland. Most of America's history has been about "over there," where we have always known that if things got too out of hand (e.g. Vietnam) we could always ret urn home. The current generations, for a wide array of reasons, have had virtually no experience with a threat to this land. (The documentary, Generation Zero, is interesting on this point).

Consequently, the process of waking up to such a threat parallels the arc of a typical horror film. In such a film, there is typically a cast of characters surrounding one or two main characters. We in the audience know there is a threat coming – be it a monster, a virus, a psycho killer, an alien, the blob that ate Cincinnati etc. This threat is typically defined by its intent- the singular goal of destroying the characters. Much of the initial exposition shows how the characters first are oblivious to the destruction the threat brings about, then explain it in familiar terms only to finally open their eyes to see that something uniquely terrifying is happening. The next stage usually involves a series of failed attempts to deal with the threat- fr om trying to negotiate with it, to appease it, to coax it, to threaten it with ineffective weapons and so forth. Most of these failings are due to not adequately appreciating the threat for what it truly is and projecting onto it a host of other attributes instead. The final stage generally involves a back-up-against-the-wall decision by whichever characters remain alive. I named this the "turnaround moment" when the character becomes willing to be as ruthless as the threat. That change in mental state is necessary to ensure survival. Ultimately, the storyline is a race for whichever characters remain to wake up fully and use whatever advantages they may still have to beat the threat.

This is the same arc our minds go through in battling our own Control Factors, our own compulsions to deny that which is staring us in the face. Ultimately, the question is whether we will be able to wake up while we still have advantages and give ourselves permis sion to fully fight the battle we are in.

I said ear lier that there is a structure to the Control Factor. To oversimplify, I view it much as a pyramid where on the bottom are the many minute by minute thoughts that are manipulated. I call this level of maneuvers the many "D's" as they include the psychological defenses such as distortion, denial, demonization, deflection, deletion, detachment, delusion, displacement, discolorization and so forth. Layered upon these are moves such as projection, where we can assign to our Islamic Enemy traits we wish to see in them or introject traits from them into ourselves that we wish not to acknowledge. These maneuvers involve a mixing of identities where we actually lose clarity about who we are and who the enemy is. Projection and introjection are active almost across the board. It is always helpful, for instance, to ask how what the enemy accuses us of is more appropriately descriptive of it. When we add Western Guilt and Shame, our need to be liked, and o ther psychological dimensions, basic thoughts solidify into larger fantasies.

As these narratives ("Our courts will never allow that," "As a superpower we will always be able to win any fight we put our minds to," "Assimilation will ensure Muslims are westernized" …) gain consent from others they tend to guide us deeply and become infused on our policies. Ultimately, what emerges is a relationship we take with our Islamic Enemy that parallels that between an addict and an enabler. Emblematic of this relationship is the "transfer of responsibility" in which we assume responsibility for the enemy's behavior who is addicted to transferring it away from itself. The Control Factor actively maintains this relationship and makes changing that relationship as difficult a chore as any addict finds in breaking his addiction. And just as an addict needs to devote serious effort and con sciousness to his addiction, so must we devote great energy to unders tanding how the Control Factor ultimately sabotages us.

FP: Describe the threat we face in our Islamic enemy. And you talk about the three levels of jihad against us. What are they?

Siegel: Simply stated, our Islamic Enemy seeks the totalitarian domination of Islam throughout the world – Islamic supremacy. It seeks to have the West submit to Islam. Obviously, this does not mean that everybody becomes a Muslim. Islam, in all its varied expressions, permits dhimmis- those Christians, Jews, and some others who are permitted to remain as protected non-Muslims as long as they submit to an inferior status. What is critical is that Shariah (Islamic Law) ultimately rules the world.

Jihad, loosely, is the effort/struggle to see this vision through. The most obvious method of Jihad is through violence; it is the one most familiar to most Westerners and almost all of the Koranic references to Jihad are based in violence. The Violent Jihad includes al-Qaeda and its offshoots as well as other groups that formed around the globe independent of al-Qaeda. It also obviously includes the violence from Islamic nations such as the Islamic Republic of Iran whose constitution specifies such vision. It also includes, however, various militant groups and training camps here in the US as well as ad hoc efforts of individuals.

Since 9/11, there have been something in excess of 15,000 Violent Jihadic attacks across the globe. However, as terrible as this is, we have a tendency in the West to think that the only dimension of threat we face comes from violence. While the Bush administration helped initiate this thinking, the Obama administration has actively abused it by limiting any discussion of the threat we face to al-Qaeda and some other terrorist groups abroad. As frightening as these groups are, we can get some ease from thinking they are a band of "extremists limited in number, weaponry, sophisticati on, and means. Stunningly, Hillary Clinton recently estimated that there are only about 50,000 "homicidal" violent extremists around the world who simply have been able to project power much greater than their number should allow. Here the Control Factor makes the threat appear more easily manageable.

Jihad, however, is pursued in other often even more effective ways which I have grouped into three "levels." A second more insidious level of threat is what the Muslim Brotherhood itself called the "Civilization Jihad." It is the effort to infiltrate all aspects of our society, peacefully according to our laws, in order to later be in position to sabotage and destroy it from the inside. The Civilization Jihadists have learned the culture and rules of the territories they seek to command and use those rules to maneuver—specifically using our freedoms to destroy our freedoms. They use "lawfare" to seek changes in our laws so as to push Shariah into our society. Your readers should read Daniel Pipes and Brooke Goldstein's Lawfare Project material and others to fully appreciate how cancerous this activity has become. This includes intimidating in a variety of ways anyone who speaks out against them or Islam and seeking to squelch our treasured broad right to free speech so as to ultimately prevent any criticisms of Islam. Once criticism of Islam is prohibited, little can stop it from cascading throughout the culture.

The Civilization Jihad includes situating such Jihadists in critical positions in the society, in the government, in the legal system, the military, and elsewhere. It includes the control over university programs that distribute propaganda about Islam and Islamic history which then filters down throughout textbooks for even younger students. It includes control over most of the nation's mosques and local Imams guiding the mess ages engaged Muslims are receiving. Most troublesome are the Muslim g roups (CAIR, ISNA, MSA and others associated and/or joint venture partners with the Muslim Brotherhood) supposedly interested in "outreach" which know how to appear Westernized and interested in the goals of Western Civilization. They have fooled a large part of our authorities and media due in part to their patience and

willingness to chip away, one airport prayer room, one frivolous intimidating lawsuit, one Congressman or CIA officer, one mosque, one ruling at a time.

Particularly in the US, given our deep attachment to freedom as well as cultural and psychological tendencies toward diversity, Western guilt and expectations of truthfulness, this effort is devious and difficult to uproot. The Civilization Jihadists present one face to the American public which is completely at odds with their true agenda and how they deal in private. Jamie, you and David and others such as Steve Emerson, Frank Gaffney, Andy McCarthy and others have done s o much to uncover this level of Jihad that your readers should be urged to review as much of their work (including Steve's recent excellent documentary, The Grand Deception, and Frank's important web video course, The Muslim Brotherhood in America) as possible.

Finally, there is a third level – the International Institutional Jihad. Here the most powerful international institutions such as the UN and the Organization of Islamic Cooperation and others seek to push into America from without those changes which are difficult to complete from within. The OIC is the largest Islamic institution in the world. It essentially controls the vote in the UN's General Assembly and thus explains in part the absurd and abject pro-Islamic, anti-Israel thrust of that organizat ion. This level seeks to use the power of Islamic nations to work fro m outside the West to force changes within the West. While there are various conflicts between many of the nations, being Islamic majority states, there is a great deal they agree upon which becomes the focus of these efforts. Just as the Obama administration is beginning to cooperate with international efforts to control gun ownership, so has Hillary Clinton's Istanbul Process become a dangerous step in the effort to restrict speech critical of Islam by norm (or possibly even treaty) when it may not be fully executable by domestic action alone.

I should point out that Stephen Coughlin, the former Pentagon officer who has an important must-see presentation of Islamic Law, uses different names for these same three levels – Jihad, Dawa, and Ummah. Had I seen his work before I wrote my book I would have conformed to his categorizations.

We must learn how powerful language has become on all three levels. Words such as "peace, $B!I "freedom," "terrorism," and phrases such as "human rights" have different meanings for us and for our Islamic Enemy. To oversimplify, "peace" is not something for now but that which comes when all the earth is submitting to Islam. In the context of battles, "peace" is at best a temporary ceasefire. "Freedom" is best understood as having the freedom to fully submit to Islam, not to choose whatever beliefs one desires while respecting the same right in others. We've all seen how "human rights" and "terror" really only apply among Muslims, not to non-Muslims. Our enemy fully understands these differences and uses them at all levels to paralyze us.

Look simply at how the phrase "Israeli-Palestinian conflict" has equalized the two parties, making it all the easier to ascribe features of one to the other and view the problem as a simple-to fix division of ass ets into statehoods but for personality problems among the leaders. The simple truth is that this is and has always been a one-sided Arab war against Israel as Ruth Wisse and others have described and, as Bibi Netanyahu made clear, the ONLY state truly at issue here has been the State of Israel that the Arabs have refused for over half a century. Nonetheless, the Control Factor hypnotically abuses the mind's susceptibility to the intricacies of language.

Even the label "Peace Process" has been damaging language. While most focus upon the first word, turning this into a "process" has helped ensure that peace is never obtained. It is more appropriately called the "Extortion Process" because all that results is that violence is used over decades to extract concessions from Israel.

These three levels must be understood for their differences while united by a single goal. While these levels often op erate together and assist each other, we must avoid "level confusion" which the Control Factor employs to curtail our fears. If the Obama narrative is swallowed- that the only threat is the Violent Jihad- we will miss the other contamination fomenting within our borders. We must appreciate how these levels work together and even unite with other forces such as the global Leftist movement that you, Jamie, have described so forcefully in United in Hate.

FP: You write about how we like to talk of "Good Muslims" and how we are always on the eternal search for "moderate" Muslims (Khatami, Mousavi, Abbas, etc), while we stress how the "extremists" are the real problem and how "f ew" they really are. All of this is connected to the Control F actor. Enlighten us.

Siegel: The Control Factor seeks to have us feel in control of the situation. The easiest way to do this is to simply minimize the number of potential enemies. We have been lectured for years about how Islam is a "religion of peace" and that the violence we see (remember that we have already improperly limited the problem to violence) is the product of a small number of "crazies" (remember Hillary Clinton's 50,000) who have distorted Islam. I call this the "Peaceful Muslim Disclaimer" as virtually everyone in the press and government has been bullied into making some statement of the kind to silence those who will pressure them that they are "Islamophobic" and Islam is being attacked. (These are the Islam hustlers who operate on the same principles that black race hustlers so effectively used to extort concessions over the last six decades or so).

Nobody has done any real work to support this proposition, nor is it clear exactly how it would be tested. My view is that the grammar "Islam is x" is itself problematic because Islam has expressed itself throughout history in a variety of fashions. It is more useful to talk in terms of how seriously engaged with Islam, the Koran and other texts, a Muslim is. What is significant is how Muslims today are using Islam and most of those who are in power either throughout a large territory or within a small community tend toward, if not fully advocate, the very supremacist ideas that we try to tell ourselves are reserved for the few "extremists." Presumably most Germans did not wish to see all Nazi atrocities carried out but in the end they fell in line because they had to. Those our politicians and press call the "extremists" are in one sense more accurately the "good" Muslims who ar e following their Islamic beliefs dutifully.

FP: Tell us how Western shame and guilt play into all of this.

Siegel: One of the dirty little secrets the Control Factor preys upon is that if we believe we control something we can comfort ourselves that we can change it. Remember the horror film- the threat has one purpose and that is to destroy you. You can not change it, talk it out of it, teach it alternatives or otherwise. That is what makes it so inherently frightening. If we can convince ourselves that we caused the threat to act the way it does we can maintain the secret hope that we can change it. Consequently, there is a tremendous attraction to blaming ourselves for the Islamic Enemy's behavior. And we see this power in our readily accepting responsibility for terror- because of our occupation, our greedy quest for oil, our failure to extend a hand of "engagement," Israel's building settlements, our making videos that defa me Mohammed and so on. Again, the relationship is defined by the enemy blaming us for his actions and our accepting such responsibility.

Shelby Steele has written brilliantly about what he calls "white guilt" and outlines how whites during the 60's and thereafter were pressured into a transaction whereby in order to re-obtain a sense of moral authority they accepted blame for the condition of blacks and behaved as if guilty. Blacks were able to extract great concessions and whites were able to view themselves as morally restored and redeemed. At a certain point, however, the behavior takes on a life of its own and the narratives become deeply embedded in the culture and, as we can see today, difficult to uproot.

Western guilt is an extension of Steele's notion. President Obama's confessionals to the Arab world admitting that America has made "mistakes" and was not born a colonial pow er express this same tendency to appease through guilt. Hillary Clint on's "reset" with Russia conveyed the same submissive request for a more acceptable response. In being guilty we presume the other party will recognize our contrition and respond in like kind. One of the Control Factor's most devastating moves is employed- presuming the other is just like us and will respond the way we would. This is frequently how an enabler justifies his continuous support for an addict. The problem, however is that our Islamic Enemy is NOT like us and will not respond in like kind. Rather, as we repeatedly refuse to learn, appeasement invites more abuse from an enemy. This becomes the "game of guilt;" it tends to expand to greater and greater consequences. Paradoxically, psychological defenses tend to create the very outcomes they seek to eliminate and it is no different here. It is a game we love to play but, unfortunately, the game gives us no rules for how to end it.

All beha vior is instructive. That is, we teach others how to treat us. The game of guilt, along with other Control Factor tools, teaches our Enemy it is winning and to continue playing.

FP: The reason Nidal Hasan was able to perpetrate his murder spree at Fort Hood is precisely because of our Control Factor. Please connect the dots for our readers.

Siegel: Just as I used to look at Hitler when I was young and be amazed that no one could see what he was about, in retrospect the same applies to Hasan. It is precisely all the elements of the Control Factor that could allow this man, a Soldier of Allah, to be positioned as he was. He was blatantly voicing his Islamist views and Jihadi intent including, even, an essay recommending the "painful liquidation" of non-Muslims. Yet, in the Army of all places, the Control Factor operated to allow and even foster his work. Even after the murders, we cont inue the denial by calling it "workplace violence." He is the Civilization-Violent Jihad combo! And we continue to enable the same infiltration elsewhere.

FP: Tell our readers about "The Project" and "Explanatory Memorandum." These are realities that serve as great threats to the Control Factor, right?

Siegel: These are separate sets of documents that outline the Muslim Brotherhood's goals and plans underlying the Civilization Jihad. The former was discovered in Europe and extends globally. The 1991 Explanatory Memorandum emerged in 2008 from the Holy Land Foundation trial and describes the Brotherhood's work in America as a "Civilization-Jihadist Process with all the word means" and "a kind of grand Jihad in eliminating and destroying the Western civilization from within and 'sabotaging' its miserable house by their own hands and the hands of the believers so that it is eliminated and God's religion is made victorious over all other religions."

Much as the communists of the Soviet Union had formulated in the 1950s a detailed long term plan to destroy America (many of the effects of which we are seeing of late including destroying the nuclear family, secularizing the nation, feminizing men …) these documents identify many strategies to infiltrate while eroding the foundations of our civilization in order to transform it into an Islamic one. The Control Factor has many ingenious ways to convince us that this is ridiculous, that our courts and system would never allow such a thing, that one is racist or "Islamophobic," if not insane, for even thinking this is real. And just as with the communists, time is plentiful. Even more so with our Islamic Enemy, a multi-decade plan is short term. It is not critical that a seriou sly engaged Muslim lives to see the result. It is critical, more correctly a duty, however, that he carries on his Jihad. Patrick Poole and The Center for Security Policy's Team B Report, Shariah: The Threat to America, are excellent sources for your readers to pursue these documents.

FP: And so what you call an "Inner Jihad" has to start. It's our, as you say, mandatory "addiction treatment." Please explain.

Siegel: The "Inner Jihad" is the effort we must undertake to gain control over our Control Factors. There is a famous Hadith in which Mohammad, returning from a successful battle, essentially says that the physical fight was the "lesser Jihad" and it is time to then attend to the "greater Jihad ◆"- that internal battle against our own internal appetites, lusts, wrong thinking and so forth. While that Hadith has been falsely utilized to say that "Jihad" is not violent, it is useful to us as a symbol of the vicious effort we must take internally against our own Control Factor tendencies.

As I said earlier, the Control Factor is "active" and "continuous" so we must constantly monitor and combat it. Like "Whack-a-Mole," just as we may think we have addressed it, another variation pops right up. I use the terms "addict" and "enabler" because we truly need a form of rehab to break the habitual power of the Control Factor and because our relationship with our Islamic Enemy is very much like that between a typical addict and his enabler. And just as it is so difficult for an addict to kick his habit, so does the enabler act essentially addicted to his behavior and find it so difficult to change. At its core, the relati onship involves the transfer of responsibility for our Islamic Enemy's hate and resultant actions onto us with our response framed essentially as an effort to do what we can to try to address the Enemy's grievance. (Your book, United in Hate, describes this addiction to hate in detail.

The key to the Inner Jihad is to learn to transfer responsibility for our Islamic Enemy's hate and resultant actions back to it and take responsibility back for our own situation. We must learn all we can about the enemy. We must unwind our inappropriate projections and introjections and rediscover who we are and are not. We must speak up. We must support those Muslims who promote expressions of Islam that are consistent with our principles. And we must stalk the C ontrol Factor, constantly be on guard for its intrusion. This is an individual endeavor as each of our Control Factors uses its own methods. The book gives plenty of examples of each maneuver discussed but it is important for each of us to discover the unique workings of his own mind. That takes the work of the Inner Jihad.

FP: Share with our readers what you mean by the "Turnaround Moment."

Siegel: There is a moment in typical horror films where the central characters have been pushed to their limit. They then change and fully embrace the willingness to be as ruthless as the threat they face. No more moral high ground; no more futile attempts to ignore or change the threat's essence. As Lee Harris described in The Suicide of Reason, it is the willingness o r license to be (not necessarily actually being) as ruthless that is critical. It is a mental state that sheds all the prior counter-productive efforts at denial to finally clearly focus on the threat faced. Part of the Inner Jihad is to reach that Turnaround Moment sooner rather than later.

FP: You suggest that "mirroring" should be used as part of our arsenal. Tell us about it.

Siegel: Mirroring is a literal approach to transferring back to the addict responsibility that we have been inappropriately accepting. Critical to the addict/enabler relationship is asymmetry. Like the addict, the enemy uses a less limiting set of rules than we do. The enemy typically initiates aggression while we respond only. Mirroring means that we demonstrate our willingness to act symmetrically, to be governed by the same rules. It is stunning how much is accomplished when one's attitude simply is clear that he will do what is necessary; often not much else is needed as the addict or enemy realizes the game is fundamentally changed. But other times action is absolutely needed. Demonstrating that we are not afraid to treat the enemy as it treats us carries great meaning. Imagine (international law aside) if Israel announced that from now on it will mirror Hamas such that if civilian populations are targeted by bombs from Gaza, Israel will do the same (it is accused of such anyway). The population might finally rethink and take responsibility for its privilege of voting its leaders. As stated earlier, all behavior is instructive and when we mirror we teach the other the effects of his behavior.

Conversely, some situations demand that we assert asymmetry; those cases where it is necessary to highlight our differences with the enemy. Just this week, an disingenuous report was issued by an NGO drawing an equivalence between Palestinian and Israe li schoolbooks claiming that both sides have their relativistic " narratives." Yet, as the Palestinian Media Watch's website has demonstrated for years, there is nothing in the West anywhere comparable to the hatred spewed daily by the Palestinian Authority, including through its education system. It is interesting to note that while the US State Department initially funded the "study,"- in what appears to be an attempt to sanitize the PA's record so that the US can continue to fund the PA against the spirit of US law- Hillary Clinton has a difficult time escaping her conclusion as Senator in 2007 that these schoolbooks along with other media "profoundly poison(s) the minds of these children." It is most important that we do not succumb to this type of use of symmetry that distorts the profound differences between us and the enemy.

Essentially, we are not clear as a nation, participating in a world with international rules, how to bes t fight this enemy. The first act of any rehab is to acknowledge that we do not know how nor are we yet competent to stop our addictions. This is not a book about policy. In fact, the "right" policies are unlikely to emerge until a critical mass has meaningfully dealt with their Control Factors and share a common perspective. We like to look at our history and assume a single perspective throughout but the truth is that we had to learn how to respond to Pearl Harbor, the Nazis, the Cold War etc. The same applies here. Our press promotes "elites" who are tasked with acting as if they possess the "true wisdom" to deal with our threats but the truth is we do not know nor are we equipped to marshal enough of our population to agree just yet. The sooner we learn, however, the less we will suffer. Mirroring has always been a key component of those lessons.

I have been encouraged by some recent acts that have begu n to nip at the asymmetry. For years, the language of "feeling s" had been reserved for our enemy while we were limited to that of "action;" we would do terrible acts that would cause bad feelings in the enemy which would then serve to justify whatever response it made. It had always been a question of the harsh insensitive acts Westerners do against Muslims and the resulting hurt, loss, shame etc. that Muslims experience. The Ground Zero Mosque incident, however, broke new ground because all of a sudden non-Muslims' feelings became the focus and were cast as resulting from Muslim acts. Another example was seen in how quickly the attempt to blame the Benghazi murders on the video about Mohammad fell apart. Just as large corporations eventually learned to turn away from shakedown attempts from race baiters, we are beginning to learn to demand symmetry through mirroring. A word of caution: When enablers change their behavior and demand symmetrical rules f or the addict, the latter typically initially erupts with great resistance. This is a stage we must be prepared to tolerate and fully withstand as it creates the only real chance for the addict to finally change. It is critical, therefore, that when we finally engage in mirroring that we be prepared to see it through completion.

FP: What if we fail to engage in our own Inner Jihad and the Control Factor stays firmly in place?

Siegel: Critical to the Inner Jihad is the realization that our civilization is fragile; not to be taken for granted. Our demands for multi-culturalism and diversity have bumped heads with the simple paradox that tolerating the intolerant leads to extinction. Tolerating the intolerant is perhaps the most crystalline version of asymmetry we have accepted. Seriously engaged Muslims MUST place the Koran above all law while in America, the Constitution ranks supreme. As Omar Ahmad , founder of CAIR, reputedly said, "Islam isn't in Amer ica to be equal to any other faith, but to become dominant. The Koran is the highest authority in America and Islam is the only accepted religion on Earth." Who makes law- the people or Allah? While the Control Factor constantly seeks for some accommodation between the two, this conflict CAN NOT be negotiated. Only one can survive not because we have declared "war" but because our Islamic Enemy has. That is, perhaps, the lesson we will most need to fully learn, one way or another. We will eventually hit a Turnaround Moment as a nation and if enough of us are not truly prepared to fight and continue to be controlled by our delusions, we will lose. If we truly seek to win, it is better to get there sooner while we have advantages than later.

FP: Bill Siegel, thank you for joining FrontPage Interview.

And thank you for writing this superb and most important book.

We encourage all o f our readers to get their hands on The Control Factor: Our Struggle to See the True Threat and to read it!

Editor's note: To watch *The Glazov Gang*'s recent discussion about the Muslim Brotherhood's infiltration of the United States and the Obama administration, see this week's episode below:

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Filed Under: Daily Mailer, FrontPage Tagged With: Denial, Islam, muslim brotherhood, Obama, Siegel, The Control Factor

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About Jamie Glazov

Jamie Glazov is Frontpage Magazine's editor. He holds a Ph.D. in History with a specialty in Russian, U.S. and Canadian foreign policy. He is the author of the critically acclaimed and best-selling, ***United in Hate: The Left's Romance with Tyranny and Terror.*** His new book is ***High No on For America.*** He is the host of Frontpage's television show, ***The Glazov Gang,*** and he can be reached at jamieglazov11@gmail.com. Visit his sit at ***JamieGlazov.com***.

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AdinaK 86p · *11 hours ago*

The war being waged has two components - mental and physical. The mental side is a minefield of constructs, deeply implanted within generations of Americans, and its PC chickens are coming home to roost. So much so, millions of Americans (westerners) cannot break free of its shackles. But it is not as if these mental chains magically appe ared. Far from it - http://adinakutnicki.com/2012/11/26/the-death-of-...

In addition, the fault-lines of democracy allowed for the most retrograde forces, on this planet, to infiltrate and penetrate the body politic- http://adinakutnicki.com/2012/09/02/the-subversio...

IF the mental and physical constraints are not immediately removed, it is a given that western civilization will fall. Cause and effect.
Adina Kutnicki, Israel - http://adinakutnicki.com/about/

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1 reply · *active 30 minutes ago*

0

dmw · *30 minutes ago*

And I would think one "phy sical constraint" is to not let them in in the first place. By & quot;them" I mean those who have allegiance to a socio-political system disguised as a religion that seeks world dominance by man imposed methodology/effort -- unlike Judaism and Christianity properly understood. If we are to "believe", the world already has a King and does not need a Caliph.

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0

MikeWood · *6 hours ago*

Ground-breaking, brilliant. There are absolutely essentially lessons to be learned from this. Buy this book, read it, study it, and lend it to your friends and colleagues. Do it.

Report

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0

lambsev77 54p · *4 hours ago*

The fall of Rome... The fall of the 3rd Reich... The fall of Western Civilization...

oooooh... Scary!

How about the fall of humankind recorded in Genesis Chapter 3 and following?

We're ALL GONNA DIE! But will you rise with Christ?

Report

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+1

@WolfyJam · *2 hours ago*

Notice how celebrities basking in their narcissism think they can dictate culture to us while they live their lives in the comfort of their ivory castles. Mia farrow has no clue what the right to bear arms means and because of that she needs to shut the hell up. _As far as blacks go-- I grew up in the 70's coming home from Hallahan H.S. in Philadel phia, me and my small group of girls were swarmed by a mob of black girls who would kick and slap and pull hair without provocation. of course we would fight back but then that was back in the day when whites weren't sissies. Still I made excuses for them. Black men would get in my face for no other reason than to intimidate me. rocks were thrown a my car for no reason. So, in short, based on my experiences Blacks are the cause of racism and if they hate whites so much then they should stay away completely and totally. _

Report

Reply

+1

@WolfyJam · *2 hours ago*

I read the Control factor and it was excellent. I wish more people would realize that our country is at its most vulnerable than ever in its history. the jihadis have basically taken over the inner cities. Islam's love for violence coupled with ignorance and narcissim are a recipe for disaster. I hope Americans wake up in time to save their future. I'm not optimistic though. I think its over but still I fight on.

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rticle 1.

The Washington Post

In State of the Union address, Obama lays out his second-term agenda

Editorial

February 13, 2013 -- TWO DOMESTIC concerns towered above all others as President Obama addressed a joint session of Congress on Tuesday night on the state of the union. One was stubbornly slow economic growth. The other was the long-term threat to prosperity posed by the structural mismatch between the federal government's projected revenue and its spending commitments. A successful second term for Mr. Obama will require both credible proposals for overcoming those related challenges and the determination to carry them through.

The president addressed the deficit and debt first, and at some length. This was fitting, giving that the most pressing piece of business facing Washington is what to do about the impending $85 billion across-the-board spending cut. He was forthright

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in declaring that this so-called sequester threatens the military as well as domestic programs. But his plan to avoid it basically repeated the offer of a "balanced approach" — unspecified tax hikes and spending cuts — which Republicans have already rejected.

Somewhat more substantively, he called for a larger deficit-reduction deal built around loophole-closing tax reform and what he called "modest" reforms to Medicare and entitlements. In an apparent effort to rally Democrats to this cause, he called on "those of us who care deeply about programs like Medicare" to "embrace" reform.

Yet in promising the same amount of Medicare savings as the Simpson-Bowles commision proposed, Mr. Obama did not mention that this would be a mere $341 billion over 10 years. All told, he envisions shaving an additional $1.5 trillion off projected deficits over 10 years, which would leave the national debt at a historically aberrant 70-odd percent of gross domestic product. In short, he declined to push back against the mind-set within his party that considers acceptable "stabilizing" the debt at this level by the time Mr. Obama's second term ends. At best, that would buy a respite of a few years before the debt resumed its upward climb.

As for raising the economy's growth potential, the president was more persuasive. His emphasis on reforming the tangled and counterproductive corporate tax code was especially welcome, and relatively likely to draw GOP support. He offered several promising ideas on education, including a promise of "high-quality preschool" for all children, though how that would square with his promise not to increase the deficit by a single dime went unexplained. He sounded a ringing call for greater federal attention to college cost containment. "Taxpayers can't keep on subsidizing" spiraling tuition, he said, candidly and correctly.

As European trading partners had hoped, the president endorsed negotiations for a transatlantic free-trade zone, which would help America's export industries and the jobs that depend on them. Coupled with an agreement that Obama is promoting for the Pacific region, the proposal has the potential to make his second term fruitful for global trade. He also suggested raising the federal minimum wage, from $7.25 per hour to $9 — although the precise amount is less important, in our view, than the president's call for annual cost-of-living adjustments.

In keeping with Mr. Obama's theme of nation-building at home, foreign policy played a secondary role in his speech. He promised to bring home half of the

remaining U.S. troops in Afghanistan within the next year. But officials said the withdrawal would be weighted toward year's end, leaving most of the troops to partner with Afghan troops for much of this year. The president said the United States would support democratic transitions in the Middle East, "keep the pressure on [the] Syrian regime" and "do what is necessary to prevent" Iran from obtaining a nuclear weapon — but he offered no specifics.

Mr. Obama pressed his case for reform of immigration laws and for action to slow global warming — and, in especially moving terms, tougher gun laws. In each case, there may be measures he can take through executive action, but new laws will be needed for substantial progress.

Mr. Obama was right when he pointed to the survivors and grieving relatives of gun violence victims and insisted, "They deserve a vote."

Article 2.

Foreign Policy

The world is no longer America's problem

Aaron David Miller

February 13, 2013 -- If you want to know what an American president's foreign policy is likely to be, particularly in a second term, don't listen to his State of the Union speech. You'd probably have more luck playing with Tarot cards, or reading tea leaves or goat entrails. But not this year. Barack Obama's fourth such address left a trail of foreign-policy cookie crumbs that lead directly to some pretty clear, if hardly surprising or revolutionary, conclusions. His first term contained no spectacular successes (save killing Osama bin Laden), but no spectacular failures either. And more than likely, that's what the president will settle for in a second, even as the Arab world burns and rogues like Iran and North Korea brandish new weapons. He's nothing if not a cautious man.

Behold: I am the Extricator in Chief

Afghanistan -- the "good war" -- has been pretty much MIA in Obama's speeches since he became president. He's alternated between spending a few words on the mission there (2009) or a paragraph (2010, 2011, 2012). If his words have been brief, the message has been stunningly clear: It's about the leaving. And tonight was no exception. Not more than two minutes in, the president spoke about America's men and women coming home from Afghanistan.

Obama's signature is indeed that of the extricator. And he broke the code early (the 2009 surge was designed politically to get in so that he could get out with a clearer conscience). He is the president who has wound down the longest and among the most profitless wars in American history, where victory was never defined by whether we can win, but by when can we leave. It is his legacy, and one about which he has reason to be proud. Obama has left himself and his military commanders plenty of discretion about the pace of extrication. But that's fine with the president so long as they're heading for the exits.

Not the Destroyer and Rebuilder of Worlds

Surprise, surprise: There was scant mention of Syria in the president's speech -- just one throwaway line about supporting Syria's opposition. Obama did not disengage from Iraq and Afghanistan only to plunge America into new black holes in the Middle East.

Obama isn't worried about boots on the ground in Syria. That was never on the table. Instead the question is this: Given the uncertainty about the end state in Syria and the risks of providing serious weapons to the rebels (and a no-fly zone) that might alter the arc of the fight against the regime, the president saw and continues to see no purpose in America providing arms of

marginal utility. That course would either expose him to be truly weak and ineffectual or lead to calls to do more. So he's going to provide non-lethal support and is apparently prepared to take the hits from critics who see the president's policy as passive, cruel, and unforgiving, particularly now that we know that members of his own cabinet clearly wanted to do more. The Iranian nuclear issue, the other potential tar baby in the SOTU, followed a pretty predictable rising arc of concern in the list of presidential foreign-policy worries. In 2009, in Obama's address to a joint session of Congress (a speech some regard as a SOTU), Iran wasn't even mentioned. In the 2010 SOTU, Obama threatened that if Iran ignored its international obligations, there would be consequences; in 2011, he did the same; and in 2012, he made it clear that he would prevent Iran from acquiring a nuclear weapon and take no option off the table. Obama repeated half of what he said in 2012 about preventing Iran from getting a nuclear weapon, but instead of saying all options were on the table, he spoke of the importance of diplomacy. I suspect he'll go to extreme lengths to avoid war, and won't greenlight an Israeli attack either until the arc of diplomacy has run its course. And then Obama would likely act only if the mullahs push the envelope by accelerating their uranium enrichment program and

other military aspects of the nuclear enterprise.

Seizing the Nuclear High Road with Little to Lose

Even as he confronts a real bomb in North Korea (very bad options there) and a potential one in Iran (bad options there too), Obama is trying to make good on a longstanding commitment to reduce America's own nuclear arsenal. Backed by the military chiefs and likely by the public too (getting rid of nukes equals saving money), but opposed by Republicans in Congress, Obama will try to work around the political obstacles by seeking a deal with yes ... you got it ... his old friend Vlad Putin. It's worth a try. If Putin balks or Republicans get in the way, the president can always advocate unilateral cuts -- not something he wants to do. But if he can't have his way on nukes, he can always blame it on the Russians and the Republicans with little to lose. The road to getting rid of nukes is a long one. Let the next guy (or gal) worry about it.

A Little Leg on Palestine?

Obama hasn't mentioned the Israeli-Palestinian conflict in a SOTU speech since 2009. And that's no coincidence. His own poorly thought-through initial effort crashed and burned, leaving the president pretty frustrated and annoyed with both

Israelis and Palestinians, particularly Israeli Prime Minister Benjamin Netanyahu.

But hey, that was then. A second-term president has committed himself early in 2013 to a trip to Israel and has an Energizer bunny in Secretary of State John Kerry, who wants to do the right thing and keep the two-state solution alive. Obama clearly kept his distance from the issue again on Tuesday night. He spoke of standing with Israel to pursue peace, but didn't mention Palestinians or the peace process. He mentioned his own trip to the Middle East, but missed an opportunity to give what might be a trip to the region by his new secretary of state higher profile. It's just as well. The paradox of the Israeli-Palestinian issue is that it's too complicated to implement right now and too important to abandon. It's in this space that Obama will be forced to operate. And while the odds of success are low, Obama will be tempted in his final term to do something bold, perhaps laying out a U.S. plan of parameters on the key final-status issues.

It's the Middle Class, Not the Middle East

Spoiler alert: Barack Obama might still be a consequential foreign-policy president if he's lucky, willful, and skillful. But it's his domestic legacy that will make or break his presidency. Health care -- his signature legacy issue -- will look much better if the economy improves, driven by a revived

housing market and rising employment, and of course if some broader deal can be struck on entitlements and taxes. Immigration reform and gun-control legislation driven by a functional bipartisanship would cement that legacy. He'd be an historic rather than a great president.

Two clocks tick down in a president's second term: the drive for legacy and the reality of lame duckery. Obama's political capital will diminish quickly. Where, how, and on what he wants to spend it is critical. The Middle East is violent and volatile and may yet suck him in, but if he can avoid it, he'll try. This was a State of the Union address that stressed fixing America's broken house, not chasing around the world trying to fix everyone else's. The future of America isn't Cairo or Damascus; it's Chicago and Detroit.

Aaron David Miller is a distinguished scholar at the Woodrow Wilson International Center for Scholars.

Article 3.

Agence Global

Can the United States Strike a Deal with Iran?

Patrick Seale

12 Feb 2013 -- Negotiations with Iran are once more on the international agenda. After an eight-month break, the five permanent members of the UN Security Council plus Germany -- the so-called P5+1 -- are due to hold a meeting with Iran on 25 February in Kazakhstan. What are the prospects of success? In a nutshell, that would seem to depend more on the climate in Washington than in Tehran. Iran is gesturing that it wants to negotiate, but Washington has not yet signalled any greater flexibility than in the past.

In a major speech in Tehran last Sunday, President Mahmoud Ahmadinejad addressed the United States: "Take your guns out of the face of the Iranian nation and I myself will negotiate with you," he declared. Meanwhile, the Iranian ambassador to Paris told French officials that, provided a work plan was agreed, Iran was ready to allow inspectors of the International Atomic Energy Agency (IAEA) to visit Parchin, a military facility where Iran is suspected of having done work on atomic weapons. Ahmadinejad himself has said repeatedly that Iran was ready to stop enriching uranium to 20% if the international community agreed to supply it instead to the Tehran research reactor for the production of isotopes needed to treat cancer patients.

The only recent encouraging word from the United States was a hint by Vice-President Joe Biden at last week's Munich security conference that the time may have come for bilateral U.S.-Iranian talks. Iran's Foreign Minister Ali Akbar Salehi responded positively to Biden's offer, although he added that Iran would look for evidence that Biden's offer was 'authentic' and not 'devious'.

The road to a U.S.-Iranian agreement is littered with obstacles -- grave mutual distrust being one of them. There is little optimism among experts that a breakthrough is imminent. For one thing, Iran is almost certain to want to defer any major strategic decision until a new President is elected next June to replace the sharp-tongued Mahmoud Ahmadinejad. To strike a deal with Iran, the United States would also need to assure its Arab allies in the Gulf that they would not fall under Iranian hegemony or lose American protection. Guarantees would no doubt have to be given.

Israel, America's close ally, poses a more substantial obstacle. It is totally opposed to any deal which would allow Iran to enrich uranium, even at the low level of 3.5%. Wanting no challenge to its own formidable nuclear arsenal, Israel's long-standing aim has been to halt Iran's nuclear programme altogether. To this end it has assassinated several Iranian nuclear

scientists and joined the United States in waging cyber warfare against Iranian nuclear facilities. Its belligerent prime minister, Binyamin Netanyahu, has for years been pressing Obama to destroy Iran's nuclear programme and -- better still -- bring down the Islamic regime altogether.

Faced with these obstacles, it is clear that any U.S. deal with Iran would require careful preparation. Obama would need to mobilize strong domestic support if he is to confront America's vast array of pro-Israeli forces. They include Congressmen eager to defend Israeli interests at all costs (as was vividly illustrated by the recent Chuck Hagel confirmation hearings), powerful lobbies such as AIPAC, media barons, high-profile Jewish financiers like Sheldon Adelson, a phalanx of neo-con strategists in right-wing think tanks, influential pro-Israelis within the Administration, and many, many others. The cost in political capital of challenging them could be very substantial. Nevertheless, elected for a second term, he now has greater freedom and authority than before.

Obama is due to visit Israel on March 20-21, something he did not do in his first term. This visit will be the first foreign trip of his second term -- in itself a sign of its importance. Although the White House is anxious to play down suggestions that he will announce a major initiative, either on

the Israeli-Palestinian conflict or on Iran, there are issues he cannot avoid. He may, however, choose to raise them in private talks with Israeli leaders rather than in public. His message is expected to be twofold: Israel should not delay in granting statehood to the Palestinians, however painful that choice may be, and it should be careful not to make an eternal enemy of Iran. Both conflicts have the potential to isolate Israel internationally and threaten its long-term interests, if not its actual existence.

In his first term of office, Obama resisted Netanyahu's pressure to wage war on Iran. This was no more than a semi-success, however, since he managed to blunt Netanyahu's belligerence only by imposing on Iran a raft of sanctions of unprecedented severity. They have halved Iran's oil exports, caused its currency to plummet and inflation to gallop, severed its relations with the world's banks and inflicted severe hardship on its population.

The key question today is this: What are Obama's intentions? Is he seeking to bring down Iran's Islamic regime, as Israel would like, or is he simply seeking to limit its nuclear ambitions? If 'regime change' is his aim then sanctions will have to be tightened even further and extended indefinitely. But if Obama's aim is to strike a deal with Iran over its nuclear programme then he must give it at least some of what it

wants: such as sanctions relief; acceptance of its right under the Nuclear Non-Proliferation Treaty to enrich uranium to a low level for peaceful purposes; recognition of its security interests, of the legitimacy of its Islamic regime born out of the 1979 revolution, and of its place in the region as a major power.

The P5+1, which are due to meet Iran later this month, remain so divided that they are unlikely to improve substantially on their previous miserly offer, which was to provide Iran with some airplane spare parts if it gave up uranium enrichment to 20% -- its trump card. It is the paralysis of Iran's dealings with the P5+1 that has lent credence to the idea that the best hope of a breakthrough may lie in bilateral U.S.-Iranian talks -- perhaps even a summit meeting between President Obama and Ayatollah Khomeini.

For such a summit to be successful the United States would have to change its approach. Iran's supreme leader has made clear that Iran will not negotiate under threat of attack. There would have to be give and take. Above all, Iran wants to be treated with respect. This is the challenge facing Obama.

It is worth remembering that there is as yet no evidence whatsoever that Iran has decided to build nuclear weapons. Nor has it developed a reliable delivery system. Instead, it has focussed its efforts on

medium-range missiles unable to reach Israel. It has no second strike capability. As President Ahmadinejad stressed during his visit to Cairo last week, Iran has no intention of attacking Israel. Its posture is purely defensive.

If Obama were to act with boldness and vision, he could defuse a nagging problem which has plagued the region for years. It is surely time for the United States to draw Iran into the regional community of nations and put an end to 34 years of unremitting hostility.

Patrick Seale is a leading British writer on the Middle East. His latest book is The Struggle for Arab Independence: Riad el-Solh and the Makers of the Modern Middle East (Cambridge University Press).

Article 4.

The Washington Post

What path now for Syria?

David Ignatius

February 12, 2013 -- Syrian opposition fighters appear to be making significant gains on the battlefield this week, following an offer by their top political leader for negotiations with the regime of President Bashar al-Assad.

This military and diplomatic news may appear positive. But Syrian sources caution that the battlefield advances may accelerate movement toward a breakup of the country, as Alawite supporters of the regime retreat to their ancestral homeland in the northwestern region around Latakia. And there's no sign that either Assad or his Russian patrons are paying any more than lip service to a political settlement.

One potential game-changer is a request for U.S. help in training elite rebel units, which has been drafted by Brig. Gen. Salim Idriss, the new commander of the opposition Free Syrian Army. In a letter dated Feb. 4, he seeks U.S. assistance in "training for: (1) special operations; (2) international humanitarian law; and (3) . . . in chemical weapons security."

Idriss requested various supplies for these elite units, including: "(1) combat armor; (2) night vision goggles; (3) hand held monocular and longer range spotting equipment; (4) strategic communications; (5) winterization packs; and (6) tactical communications."

This request for assistance was made just after the Assad regime had rebuffed an offer by Sheik Ahmad Moaz al-Khatib, the head of a new opposition coalition, to negotiate with government representatives.

The rebels' recent military successes have come mostly in northern Syria; the attacks

were made by different battalions that appear to operate with little central command and control. The gains include:

- The al-Jarrah air base, about 30 miles east of Aleppo, which appears to have been overrun by fighters from Ahrar al-Sham, a battalion based in Idlib. Videos posted Tuesday by the rebels showed them walking past derelict Syrian warplanes and inside a fortified hangar containing what appeared to be two Czech-built ground assault planes. On camera, the rebels displayed dozens of bombs racked in a warehouse, and other ammunition and spoils of war.
- The Thawra hydroelectric dam on the Euphrates, which is one of Syria's biggest power-generating facilities. Rebel sources said the Syrian army gave up the strategic dam after army positions there were overrun. The rebels negotiated a surrender with regime loyalists who remained. These sources said the dam continues to operate and provide power — a positive sign for those who worry that Syria's infrastructure would collapse if the rebels took over.
- The Aleppo International Airport, southeast of the city, is close to falling. Free Syrian Army sources said Tuesday that their fighters, including allies in the extremist al-Nusra Front, had captured an access point near the airport known as "Liwa 80." Syrian sources said rebels there

had seized large amounts of ammunition, including some shoulder-fired anti-aircraft missiles.

- Damascus and its suburbs, where the rebels are tightening their squeeze on access points to the capital. Syrian sources said fighters are converging on Damascus from different parts of the country, expecting a decisive battle there soon. "Regime forces are suffering from very low morale, whereas FSA soldiers have been encouraged by recent positive developments," asserts one FSA report from Damascus.

The al-Nusra Front has been a catalyst and beneficiary of the rebels' success. According to Syrian sources, al-Nusra is gaining strength in Homs, a city in central Syria where the group was never strong. One Syrian source told the State Department: "They have money, they are helping people with everything including daily living supplies. I heard that some fighters are leaving their [former] brigades and joining [Al-Nusra], some of them selling their weapons to feed their families."

One Syrian who works closely with the Free Syrian Army explained how creating an elite commando force could help check Syria's drift toward becoming a failed state: "We still believe FSA on the ground is still needed badly to tip the power and

support other parallel solutions, including the political one. But FSA [has] become a jungle. . . . My recommendation is . . . to start working on elite [forces that can] . . . initiate key attacks plus help as a buffer from potential warlords and fights among fragmented FSA factions. Plus, this unit can handle other key tasks, like securing chemical weapons."

This Syrian strategist argues in another memo that the rebels must "speak to the silent majority, many who did not care about the revolution, and they want their life back." He said that such a negotiated settlement requires more pressure on the United States, Russia and the United Nations "to find a way out of the deadlock."

Article 5.

Foreign Policy

Why Does Europe Pretend Hezbollah Has a Good Side?

Matthew Levitt

February 12, 2013 -- Bulgaria's interior minister announced on Feb. 5 the result of his country's investigation into the July 2012 bombing of a bus filled with Israeli tourists in the city of Burgas, which killed five Israelis and the vehicle's Bulgarian driver. Two of the individuals who carried out the terrorist attack, he said, "belonged to the military formation of Hezbollah."

It was not by chance that his statement fingered only the military wing of Hezbollah, not the group as a whole. Within the European Union, the findings of the Bulgarian investigation have kicked off a firestorm over whether to add the Lebanese militant organization -- in whole, or perhaps just its military or terrorist wings -- to the EU's list of banned terrorist groups. But are there in fact distinct wings within the self-styled "Party of God"?

Hezbollah is many things. It is one of the dominant political parties in Lebanon, as well as a social and religious movement catering first and foremost -- though not exclusively -- to Lebanon's Shiite community. Hezbollah is also Lebanon's largest militia, the only one to keep its weapons and rebrand its armed elements as an "Islamic resistance" in response to the terms of the 1989 Taif Accord, which ended the Lebanese Civil War.

While the group's various elements are intended to complement one another, the

reality is often messier. In part, that has to do with compartmentalization of Hezbollah's covert activities. It is also, however, a result of the group's multiple identities -- Lebanese, pan-Shiite, pro-Iranian -- and the group's multiple and sometimes competing goals tied to these different identities.

Hezbollah's ideological commitment to Iranian Ayatollah Ruhollah Khomeini's revolutionary doctrine of velayat-e faqih (guardianship of the jurist), which holds that a Shiite Islamic cleric should serve as the supreme head of government, is a key source of conflict. The group is thus simultaneously committed to the decrees of Iranian clerics, the Lebanese state, its sectarian Shiite community within Lebanon, and fellow Shiites abroad.

The consequences of these competing ideological drivers was clear in July 2006, when Hezbollah dragged Israel and Lebanon into a war neither state wanted by crossing the U.N.-demarcated border between the two countries, killing three Israeli soldiers, and kidnapping two more in an ambush. They came to the fore again two years later, when Hezbollah took over West Beirut by force of arms, turning its weapons of "resistance" against fellow Lebanese citizens. When the chips are down, Hezbollah's commitment to Iran

trumps its identity as a Lebanese political movement.

The ties that bind Hezbollah's political leadership with its international illicit activities are also unmistakable. According to a CIA document, even before Hassan Nasrallah rose to the position of secretary-general in 1992, he was "directly involved in many Hizballah terrorist operations, including hostage taking, airline hijackings, and attacks against Lebanese rivals."

Time and again, Hezbollah's political personalities have been tied to the group's terrorist and criminal activities. Consider a major case in the United States: In 2008, while Hezbollah operative Ali Karaki was planning a Hezbollah attack in Azerbaijan's capital, Baku, his brother, Hasan Antar Karaki, was helping lead a broad criminal conspiracy to sell counterfeit and stolen currency in Philadelphia. Luckily, Hasan Antar Karaki sold his wares to an undercover FBI informant posing as a member of the Philadelphia criminal underworld. Hasan Antar Karaki proved to be a major figure in Hezbollah's forgery operations, and he provided an FBI source with fraudulent British and Canadian passports.

Meanwhile, in meetings in Lebanon and the United States, Hasan Antar Karaki's associate, Hassan Hodroj, a Hezbollah spokesman and the head of its Palestinian

issues portfolio within the group's political echelon, sought to procure a long list of sophisticated weapons in a black-market scheme involving Hezbollah operatives across the globe. According to court documents, Hodroj wanted "heavy machinery" for the "fight against Jews and to protect Lebanon." But move forward with caution, Hodroj counseled an undercover FBI source, because someone in the United States could "go to jail for 100 years" if caught dealing with Hezbollah.

In light of cases like this one, in which people overtly affiliated with Hezbollah's political activities are engaged in criminal and terrorist activities, it becomes increasingly difficult to separate Hezbollah's overt activities from its covert behavior. "Little is known about [the Hezbollah military wing's] internal command hierarchy," a Western government report noted in 2012, "due to its highly secretive nature and use of sophisticated protective measures."

The structure and manpower of Hezbollah's terrorist operation, which is responsible for its financial and logistical activities as well as its terrorist operations abroad, are similarly opaque. We do know, however, that Hezbollah's terrorist network, the Islamic Jihad Organization (IJO), was formally founded in 1983 when Hezbollah master terrorist Imad Mughniyeh fled to

Iran after orchestrating the October 1983 bombing of the U.S. Marine Corps and French military barracks in Beirut with his brother-in-law, Mustafa Badreddine.

This much is clear: Since its founding, Hezbollah has developed a sophisticated organizational and leadership structure. The overall governing authority, the Majlis al-Shura (Consultative Council), wields all decision-making power and directs several subordinate functional councils. Each functional council reports directly to the Majlis al-Shura, which, as Hezbollah Deputy Secretary-General Naim Qassem wrote in his book, is "in charge of drawing the overall vision and policies, overseeing the general strategies for the party's function, and taking political decisions."

U.S. assessments echo Qassem's description. "Hezbollah has a unified leadership structure that oversees the organization's complementary, partially compartmentalized elements," reads a Congressional Research Service report.

The secretary-general, currently Nasrallah, presides over the Majlis al-Shura and functions as the group's leader under the authority of the "jurist theologian" Ayatollah Ali Khamenei, Iran's supreme leader. Five administrative bodies, organized around thematic responsibilities, run Hezbollah's political, military (jihad), parliamentary, executive, and judicial

activities. The Majlis al-Shura considers all elements of the group's activities, including its political and military wings, as part of one holistic entity.

According to Hezbollah's top officials, this unity of purpose among the group's diverse activities is essential to its success. "If the military wing were separated from the political wing, this would have repercussions, and it would reflect on the political scene," Qassem told a Lebanese paper in 2000. "Hezbollah's secretary-general is the head of the Shura Council and also the head of the Jihad Council, and this means that we have one leadership, with one administration."

The Jihad Council is the functional council underneath the Majlis al-Shura responsible for all military matters. Qassem writes that it "comprises those in charge of resistance activity, be that in terms of oversight, recruitment, training, equipment, security, or any other resistance-related endeavors." To accomplish its mission, the council is divided into several smaller units in charge of protecting the leadership and carrying out internal and external surveillance, as well as overseas operations. The party's security branch is further broken down into three subgroups: central, preventive, and overseas security. In 2000, a dedicated counterintelligence branch was reportedly founded as well.

Under this structure, Hezbollah's militia and terrorist activities, along with its security organ, all report to the Jihad Council. Until he was killed, Mughniyeh was Hezbollah's top militant commander and reportedly led the Jihad Council himself. By some accounts, he also held a seat on the Majlis al-Shura, which would be typical for the party's standing military commander.

Unlike its sister councils, however, the Jihad Council enjoys strategic ambiguity. Neither the majority of Hezbollah officials nor the party's elected parliamentarians are aware of the details of their party's covert military and terrorist activities, which are decided on by the most senior leadership. According to the U.S. government, these activities are "executed" by the leadership of Hezbollah's military apparatus, known as the Islamic Resistance and led by Badreddine, and by the IJO, led by Talal Hamiyah, and they are "overseen" by Nasrallah.

Europe's approach to Hezbollah has been varied. Many European governments have resisted international efforts to designate the organization as a terrorist group by distinguishing between Hezbollah's political and military wings. Britain distinguishes among Hezbollah's terrorist wing (the Islamic Jihad Organization), military wing, and political wing, and the country banned the IJO in 2000 and the

military wing in 2008. The Netherlands, however, designated Hezbollah a terrorist entity in 2004 without distinguishing between the group's political and military wings. A 2004 Dutch intelligence report highlighted investigations that show "Hezbollah's political and terrorist wings are controlled by one co-ordinating council."

The European Union has taken action against Hezbollah's interests in the past. In May 2002, the European Union froze the assets of a non-European terrorist group for the first time by adding seven Hezbollah-affiliated individuals, including Mughniyeh, to its financial sanctions list for terrorism. It did not, however, sanction Hezbollah as an organization. On March 10, 2005, the European Parliament passed a nonbinding resolution recognizing that "clear evidence exists of terrorist activities on the part of Hezbollah" and calling on the European Council to take "all necessary steps to curtail them."

But the necessary steps did not occur. Instead, most European countries preferred to make convenient distinctions between the different parts of Hezbollah, even when the group's own leadership does not.

Today, as European leaders consider whether to label Hezbollah a terrorist group, they should judge the group by the totality of its actions. Hezbollah cannot be

forgiven its criminal, terrorist, or militant pursuits simply because it also engages in political or humanitarian ones. As the Burgas bus bombing demonstrates, the Party of God can and has mobilized operatives for everything from criminal enterprises to terrorist attacks well beyond Lebanon's borders.

And though Hezbollah is composed of multiple committees and branches, it operates as a single entity. Hezbollah, the U.S. intelligence community has determined, is "a multifaceted, disciplined organization that combines political, social, paramilitary, and terrorist elements" and is one in which decisions "to resort to arms or terrorist tactics [are] carefully calibrated."

Hezbollah's Qassem, speaking in October 2012, concurred: "We don't have a military wing and a political one; we don't have Hezbollah on one hand and the resistance party on the other.… Every element of Hezbollah, from commanders to members as well as our various capabilities, are in the service of the resistance, and we have nothing but the resistance as a priority," he said.

Maybe it is time Western leaders finally listened to him.

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Article 6.

The Atlantic

A Middle-Class Paradise in Palestine?

Armin Rosen

Feb 11 2013 -- The sole outlet to Rawabi sits off a dizzying two-lane highway flanked by round, scraggly hills. In this part of the West Bank, just north of where the Jerusalem suburbs thin into a dry, granite-gray wilderness, the mountains seem to aid in the illusion that Israeli and Palestinian spheres of authority can remain perfectly, even harmoniously separate. Arabs use the road to get to the Palestinian-controlled cities of Bir Zeit and Ramallah; for Jewish Israelis, the road connects the Jerusalem

area to settlements deep inside the northern half of the West Bank.

Ramallah's skyline is barely discernible on a hazy day. Ateret, a red-gabled settlement of about 90 families that sits high above the Rawabi junction -- a community which would likely either be vacated or incorporated into a Palestinian state under a future peace agreement -- flickers in and out of view with every delirious knot in the road. Even a concrete pillbox looming over the highest point along the highway is abandoned, its connection to the territory's oddly invisible occupying army marked only by a tattered Israeli flag that no one has bothered to steal or replace.

Last year was the first since 1973 in which no Israeli citizen was killed in a terrorist attack originating from the West Bank. As on the newly-pacified Gaza-Israel border, a tense quiet pervades things here, although a bright red sign at the junction reminds one category of motorist not to feel too complacent. "This road leads to Area 'A' Under the Palestinian Authority," it reads in Arabic, Hebrew, and broken English. "The entrance for Israeli citizens is forbidden, dangerous to your lives and is against the Israeli law." At the Rawabi junction these warnings of latent danger are almost comically off-base, partly because of the only other marker at the turnoff: a

light-green arrow sagging off of a nearby post.

No one lives at the end of the road, which is every bit as wavy and disorienting as the adjoining highway. It empties into a scene that seems engineered for maximum bewilderment: three high-rise cranes, topped with fluttering Palestinian flags, tower over massive stone and concrete building frames. Cement-mixers, painted the same shade of light green as the arrow at the turnoff and marked with the project's logo -- a wiry oval with a cute little convex loop at the end, like a child's drawing of a heart that could also be a tree -- line up to receive material from a buzzing, state-of-the-art plant. The construction site, a couple turns up-road of the cement factory, is swarming with workers in green hardhats. Spotless SUVs with the Rawabi logo on the door speed from one side of the site to another.

Rawabi, which will be the first Palestinian planned city in the West Bank, runs from the top of the mountain to the valley below, with its highest point sitting at an elevation slightly higher than Ateret, which is now constantly visible. In contrast, the chaos of Ramallah, stronghold of an insolvent and sclerotic Palestinian Authority, feels distant in more senses than one.

Rawabi represents something totally new -- a visionary Palestinian-directed private

sector project, with support from both Israeli businesses and a major Arab government. It has the potential to shift the conversation on the region's future on both sides of the Green Line. It could convince Palestinians -- and the rest of the world -- that the future of the West Bank shouldn't be shackled to Ramallah or Jerusalem's vacillating willingness to hash out fundamental issues. It could prove that there's an appetite, both among Palestinian consumers and foreign donors, for the creation of a social and economic existence in the West Bank that's de-coupled, insomuch as currently possible, from the Middle East's tense and labyrinthine politics.

It would also help solidify the benefits of the current cessation in hostilities. Indeed, Palestinian leader Mahmoud Abbas's progress in fostering the end of violent resistance in the West Bank in the years after the bloody Second Intifada, coupled with Palestinian Prime Minister Salaam Fayyad's widely-respected institution-building initiative, could get a crucial private sector assist through Rawabi's eventual success.

And Rawabi gets at something even more fundamental. "It touches upon all of the core issues of control and sovereignty," says Robert Danin, a fellow at the Council on Foreign Relations who, as head of the Quartet mission in Jerusalem from 2008 to

2010, witnessed some of the political discussions that accompanied the project's creation. "This could be a huge, iconic victory for the whole strategy of building Palestine from the bottom up rather than trying to build it at the negotiating table," he says.

Its success would prove just how much power Palestinians can, and indeed already do, have in shaping their future. And its failure could prove the exact opposite.

I visited Rawabi two weeks ago with a group of national security professionals, as part of a trip organized by the Foundation for Defense of Democracies, a Washington, DC-based think tank. (All of the photos in the body of the article are mine.) We were taken around the construction site by a young Palestinian engineer who conveyed the vast ambition underlying the project: When the city is completed, she said, it will house 45,000 people in 23 distinct neighborhoods with innocuous, nature-based names like "Flint," and "Hard Rock". (Rawabi is Arabic for "Hills".) There will be eight schools -- some of them built with the help of the U.S. Agency for International Development -- a "huge park," a convention center, an 850-seat indoor theater, and a 20,000-seat amphitheater carved into a hillside.

Most ambitiously, there will be a commercial center that developers hope

will bring in between 3,000 and 5,000 permanent jobs within the next five years -- hopefully, we were told, in the informational technology sector (an aspiration that might imply a certain cooperation with the burgeoning tech industry on the other side of the Green Line). The engineer said that Rawabi had already created 3,000 construction jobs for West Bank Palestinians. The city is Palestinian-designed and Palestinian-built -- making the surfeit of Qatari flags at the construction site somewhat puzzling at first. And while the project does not purchase materials from Jewish settlements in the West Bank, the engineer was hardly shy in explaining that Rawabi would add an estimated $85 million to the Israeli economy.

As we drove around the construction site, the engineer's talk made few demands on the imagination. The sheer scale of the project is already obvious. Within the next 18 months, the first phase, which includes six neighborhoods, a mosque, the amphitheater, and two-thirds of the city's commercial center, will be complete, and 3,000 people are scheduled will move into Rawabi by the end of 2013. Apartment blocks built of a local white stone -- "Rawabi stone," the engineer called it -- are already rising out of a network of concentric ring-roads centered on the top of the hill. Most of these roads have already

been paved, and there are terraced retaining walls, built out of thick stacks of local sandstone, running all the way to the bottom of the valley. No bleachers have been installed in the amphitheater yet, but it's fairly far along, with the future seating area fanning into a wide notch in the mountainside. There are attractive stone signs bearing the stylized Arabic names of neighborhoods that haven't been built yet.

The future commercial center is also well on its way to completion. Situated on a shelf slightly below the summit of the hill, the complex of office buildings, hotels, theaters, and a convention center will huddle around a broad outdoor plaza, which will be connected to the lower neighborhoods through a wide flight of stairs. The stairs, plaza, and central buildings are already past their skeletal phase, and the high-rise apartments ringing the city center look like they're almost complete. For now, the commercial core is a jumble of dust and brutal concrete surfaces, but in the future, someone lingering in the cafés near the staircase will enjoy phenomenal views of the rugged hill country, and perhaps even glimpses of the Jordan River Valley on a clear day.

It is still possible to remain unconvinced of Rawabi's reality -- doubtful as to whether that café will ever be built, or whether any middle class-Palestinian desirous of a generic middle class existence will ever

linger there. There's abundant reason for skepticism. The project's future depends on the Israeli authorities' willingness to allow for the construction of access roads in "Area C," or West Bank territory under the direct control of Israel. The sole existing route into the city only exists because the Israeli government, after years of bureaucratic and high-level diplomatic wrangling, granted Rawabi's developers a permit for a "temporary" road. Technically, they will have to destroy the road when the current permission expires. And even if the Israelis agree to make the road permanent, one two-lane route is hardly adequate for a city of 45,000 people. Developers claim it isn't even adequate to the needs of the current construction site.

Water is another challenge. Negotiations with Israel and the Palestinian Water Authority are ongoing, and developers say they have held in excess of 100 meetings with Israeli officials on water-related issues alone. Developers admit that they aren't sure where the city's water resources will eventually come from, and the construction site only got running water two months ago.

And they'll admit that attracting jobs to the site is an even bigger challenge than Israel's West Bank regime. Rawabi isn't meant to be a bedroom community of Ramallah. It's meant to be a self-contained city, with office and retail space. The jobs haven't

quite materialized yet (although the developers have a slight head start: between 200 and 300 call center-type jobs currently based in Ramallah are scheduled to move into Rawabi when the first phase of construction is complete). If the political or security situation seriously deteriorates -- if the checkpoints return, if the Israelis are forced to re-occupy urban areas ceded to the Palestinian Authority under the Oslo Accords, as happened during the Second Intifada; if Hamas wages a violent takeover of the Palestinian government -- all bets are off. The developers don't seem to be bothered by those possibilities right now. At the showroom, built at the very top of the hill, the future is nothing but bright.

I chatted with another site engineer as we walked through a scale-model mock-up of a typical Rawabian street, where happy families in western dress waved from little video screens inset in plastic apartment windows. I asked her about the Qatari flags I had seen around the construction site. Qatar's state investment fund is footing two thirds of the nearly $1 billion project bill, she said. "This is the biggest investment in the history of Palestine," she explained as we stepped over a fake valley in the next room, walking past a mock-up of a stunning hilltop view contained inside a mock-up of a future apartment suite. The Rawabians will apparently own large flat-screen TVs and stylish coffee tables, and

their living spaces will be kept mercilessly clean.

What, of that $1 billion investment, was going to Israel, I asked? Israeli companies were providing cement powder and sand, she said, and the project had consulted with "Israeli experts." "In some cases, you have to do that," she said, alluding to the comparative difficulty of importing building materials through neighboring Jordan. In other words, working with the Israelis was a necessary business decision for a project this large and complex.

The fake street, fake valley, fake apartment-display ended in a pleasant sky-lit lobby, where representatives of the Cairo Amman Bank, Arab Islamic Bank, and Arab Bank sat in logoed glass cubicles, available to discuss financing for future purchases. And for the still-skeptical, there's a six-minute 3-D movie, where the city appears in its completed glory -- a place where families picnic, men in business dress greet each other amid bustling plazas, and fireworks crest over soaring apartment towers topped with solar panels. The architecture is tasteful. These aren't dachas plunked on fake islands off the coast of Dubai. It's the kind of place where I, or just about anyone in the world with middle or even upper-middle class aspirations, would want to live. And it looked weirdly familiar.

The group had a chance to visit with Bashar Masri, the Nablus-born founder and CEO of Massar International, the Palestinian conglomerate financing a third of Rawabi. Massar and Qatar Diar, the real estate investment arm of the government of Qatar's sovereign wealth fund, jointly created Bayti Real Estate Investment Company -- Palestine to build and market Rawabi. But if two-thirds of the project's money is coming from Qatar, the vision behind Rawabi is Masri's.

Massar owns a private equity fund that invests in Palestinian agriculture and natural gas distribution. It runs travel agencies in Jordan and brokerage firms in Serbia. Massar invests in Harvest Export, which sells Palestinian produce to consumers in Russia and Western Europe -- as well as in Israel. Two years ago, Masri made headlines when he attempted to purchase a bankrupt Jewish housing development in East Jerusalem. He helped create an online trading and brokerage platform for Palestine's stock exchange.

Masri has lived outside of Palestine for periods of his life, and is, by all accounts, largely untainted by connections to the PA's notoriously rent-seeking inner circle. He's a trim middle-aged man, smartly-dressed, friendly and approachable. There seemed no more appropriate a place to talk to him one-on-one than on a wide terrace overlooking the construction site, with

hills, valleys, and rising apartment blocks -- the future he was in the process of building -- stretched out in front of him.

"On a good, clear day, you can see Tel Aviv, Ashdod, and Ashkelon," he told me. "One-third of Palestine and Israel." Rawabi is in the second-largest, yet most sparsely-populated Area A in the West Bank -- from the terrace, which faces away from Ateret, you can see expanses of mostly-empty hills. Perhaps in Masri's mind, they are awaiting Rawabis of their own. When I returned to Washington, I asked him in a phone interview if he viewed his project as the first of many such planned cities in Palestine. "I always say our success is measured not by how many homes we sell. It is measured when a second Rawabi is established," he told me.

Standing on the terrace, I asked him if his willingness to undertake such a massive project reflected any optimism about the coming years -- no one invests this much time, money, and energy into something if they expect war is on the horizon. "This project is built for today's politics," he replied. "If it gets a little worse, or a little better -- fine. If it gets really bad, we're in trouble. If it doesn't, then great. We're not waiting on a breakthrough."

He estimated that Israeli obstruction had delayed the project by a year and a half. The bureaucratic inertia could continue:

For instance, developers were surprised to find out that, by a quirk in the West Bank's notoriously Byzantine and palimpsestic legal codes, they required the approval of a joint Israeli-Palestinian water commission created through the Oslo Accords to build a sewage treatment plant in an Area A, approval that they recently received. There's also the still-unresolved matter of the access road. But thus far, Rawabi had flourished in spite of delays and inconveniences.

Could it survive its isolation, though -- could this hilltop off of a two-lane highway get enough water and electricity to support 45,000 people living at a middle class standard? "There is nothing here at all. We're out in the boondocks," he conceded. "We're building everything from scratch." One needed only to glance at the busy construction site below to understand that Masri considers this a point of pride, far from a potential death-sentence for his project.

I asked Masri about something that had jumped out at me during the 3-D video. The finished Rawabi, I'd noted, had the same terraced garden parks, stoic, modular apartment design, and concentric hilltop roads that I had seen in Talpiyot Misrach, a new neighborhood on the fringes of West Jerusalem. His city looked very, well, Israeli.

"This place is influenced by Reston, Virginia," he said -- Masri is a Virginia Tech alumnus, and had lived in the Washington, DC area earlier in life. It was, he said, influenced by planned suburbs outside of Cairo. "And it's influenced by Modi'in," he added, explaining that the site's engineers and designers (who were entirely Palestinian, we had been told earlier), had traveled to the Israeli city, which is built around similar topography, for inspiration.

Palestinians have long understood that a western-style standard of living was possible in their part of the world. They knew that places like Rawabi already existed minutes from their own homes, but didn't think that the quality of life epitomized by hilltop settlements and cities in Israel -- places they weren't allowed to visit without an official permit from the military -- was accessible to them.

During our phone interview, Masri talked about the astonishment that Palestinians feel when they visit the construction site. "When [Palestinians] come to Rawabi, and they go through the showroom and they see what we have planned for them, and they see it actually being built, they say, 'Wow, this can't be for us. This is not for us. This is too high of a standard for us because we are supposed to live miserably under the occupation'. Then they come to the other

side of the showroom and see the city being built, and reality starts sinking in."

It's a type of living closely associated with the Palestinians' neighbors in Israel. "They know very well that just a 20-minute drive away, there's a community with a much higher standard of living. And that community happened to be one representing the occupier, quote-unquote the 'enemy.' But they would love to live like that. And that's why when they come to Rawabi some of them don't believe this is for them initially. The first thing that goes through their mind is that this could be for the Israelis."

But it is for them. Rawabi's significance could lie in something more mundane than basic issues of sovereignty and control in the West Bank. It lies in the common, human desire -- powerful on either side of the Green Line -- for a comfortable and dignified existence.

In some quarters, this idea of working within the present and less-than-ideal political and economic framework to achieve this goal is nothing short of inflammatory. The U.S.-based, anti-peace process website Electronic Intifada has smeared Masri as an Israeli collaborator, and there have been scattered accusations that the project actually legitimizes Israeli control over the West Bank.

Danin says that Masri is faced with a difficult balancing act. "On the one hand you're denying the occupation, and you're saying you do not accept its legitimacy," he says. "But that doesn't mean you won't work with Israel in order to improve the Palestinian situation with the goal of removing the occupation. That's a difficult message to convey successfully."

Masri rejects the notion that he abetting a problematic status quo. "The vast majority of Palestinians understand and know reality," he said. "There is no home in Palestine without Israeli cement and parts. Every construction project in Palestine must have components from Israel. So it's not like I'm doing something different."

Of course, he doesn't like that Israel has so much control over Palestinian imports, and the West Bank economy in general. "This is the occupation," he said. "I'm not happy about that and that's why we strive for a state of our own." But he likened boycotting Israeli products to boycotting products from the United Kingdom, the United States, or other countries supportive of Israel -- something he wouldn't consider. The only people he won't buy from are the West Bank settlers.

Luckily, Masri's vision has the backing of a powerful regional government -- one that does not officially recognize Israel, and whose actions have often had the effect of

strengthening some of the Jewish State's sworn enemies.

The Gulf kingdom of Qatar has done more than simply buy into the Rawabi paradigm: It's also funding two-thirds of the project, to the tune of over $600 million. This is enough money to single-handedly finance the Fatah-dominated Palestinian Authority -- which is effectively broke, thanks to penalties imposed by the Israeli and U.S. governments after Mahmoud Abbas's successful push for a U.N. General Assembly vote on Palestinian U.N. membership, and a freeze in financial aid from Gulf State donors, most notably Saudi Arabia -- for the better part of a year.

Instead, the Qataris have not only bypassed the PA, but channeled money into a project that seems to prove the PA's uselessness. "It's like an island inside the traditional infrastructure of the PA," says Jonathan Schanzer, vice president of research at the Foundation for Defense of Democracies and author of a book on Palestinian internal politics. "It shows everyone what you can do if you don't go through the PA. The PA receives $600 million a year [in foreign aid] and they have not done something like this."

Masri says that the leadership of the PA has been fully supportive, but that Rawabi has been hurt by the Palestinian government's lack of capacity. "We should not be

building public schools. We should not be building a waste water treatment plant or waste water networks or water reservoirs," he told me. "Unfortunately we have to do that because the Palestinian Authority does not have the funding and the donors let [the PA] down."

There might be a political calculation behind Qatar's decision to throw an amount of money equivalent to two years of U.S. financial aid to the PA behind a single private-sector figure like Masri. Qatar recently announced plans to invest nearly $400 million in the Hamas-controlled Gaza Strip, and in October of 2012, Qatari Emir Sheikh Hamad bin Khalifa al-Thani became the first head of state to visit the Strip after the Islamist militant group's 2007 takeover. Hamas politburo chief Khaled Meshaal lives in Doha, and Qatar Diar is financing a major development in Sudan, whose cash-strapped government enjoys close relations with Iran, and has facilitated the transfer of long-range rockets to Hamas. In short, Qatar supports an E.U. and U.S. listed terrorist organization bitterly opposed to both Israel and the current PA leadership. And it also has no problem investing in Rawabi.

According to Kamran Bokhari, vice president of Middle Eastern and South Asian affairs for Stratfor, Qatari support for Hamas is part of the sheikhdom's larger, post-Arab Spring strategy of siding with

the Middle East's Islamists, and specifically the Muslim brotherhood, whom the Qataris view as the region's rising power. "The Qatari strategy is that the situation has changed, and we need to fend for ourselves and ensure that the regional anarchy is not going to impact us," says Bokhari. The Qatari investment in Rawabi -- which feeds an $85 million investment in the Israeli economy, and which could not have happened without some degree of official Israeli approval -- is an example of this larger geopolitical strategy, which is driven more by perceived self-interest than by an ideological affinity for political Islam.

"Investments in the region are about the return on political influence," adds Gregory Gause, a professor at the University of Vermont and a non-resident senior fellow at the Brookings Institution-Doha. He noted the presence of a large American airbase in Qatar, and the country's close relations with the United States.

In the Palestinian territories, as in the broader region, the Qataris are supporting secular and religious forces in a way that will maximize their influence and keep the regional balance as favorable for them as possible. In a sense, the same strategic calculus that convinces Qatar to support Hamas allows them to cooperate with Israel and the West Bank private sector as well.

"I think Qatar is going by the ground reality," says Bokhari. "Fatah, the ruling faction of the PA, is essentially tanking. It's really in a state of decline because of corruption and charges of embezzlement. It's got an aging leadership. There's no dynamism left in the group. There's a lot of factionalism. It's almost like an oligarchy."

Rawabi could be Qatar's way of encouraging the currently-calm status quo in the West Bank, but without obviously upgrading their ties to Israel, or throwing their money behind a political establishment that they don't fully trust. "On one end they need to make sure Fatah does not completely collapse or weaken to the point where they're no longer coherent," says Bokhari, "and Hamas needs to be shaped and contained and shepherded in a way that it doesn't grow into anything larger."

Though there are politics underlying Qatar's investment in Rawabi, it is still, inevitably, a financial decision. "You have serious people who have a lot at risk here," Danin says. "Their goal is not primarily to make a political point. Their goal is to recoup their investment and make some money." Even resource-rich Qatar, which wants to diversity its holdings in order to hedge against long-term shifts in the oil and natural gas market, cares whether its investment choices pay off.

Danin believes that Rawabi's Palestinian and Qatari investors made a wise decision. Housing in Ramallah is expensive, and Danin says that there is a sizable and highly-educated Palestinian middle class in need of an alternative to the West Bank's de-facto capital. He expressed little doubt when I asked him if the West Bank economy could support Rawabi. "This is a Palestinian national project," he said. "It is the best of what is possible in that it's private sector-led, and it's profit-making led."

And it has supporters in high places. When President Barack Obama met with Israeli officials in Washington in September of 2010, Rawabi was on the agenda.

From one perspective, Rawabi is a historic investment in Palestine, as well as an unusually open point of cooperation between Israel and an Arab government. It could improve the lives of Palestinians, while convincing Israelis that they have nothing to fear from their neighbors' prosperity. But any attempts to change the status quo in the West Bank are fraught with difficulties.

There's Israeli bureaucracy to overcome. "In Israel, if the Minister of Defense says I want something, it's not that the system thwarts it. But the system is so decentralized that ultimately it takes a lot of steps to get it translated into action,"

says Danin. Israeli officials are positively disposed towards Rawabi, but it's still taken years to resolve sovereignty and governance issues around necessities like water, and a single access road. Such Israeli inertia was apparently at the heart of Obama's concerns back in 2010, and sources say that the president has discussed the issue of the access road with Israeli Prime Minister Benjamin Netanyahu on multiple occasions.

Back in Washington, I asked Masri if he believed the Israelis understood the potential importance of Rawabi. "I really don't know," he said. "Their statements are neutral to positive. But their actions are neutral to negative."

And then there's the larger inertia. What meaning does a place like Rawabi have if it sits in the middle of a still-unresolved conflict, or if Palestinian economic self-improvement stands in contrast to an all-pervading political stasis -- or even political backsliding? Today, Rawabi is significant because of its novelty. But if there's a breakthrough in the Israeli-Palestinian peace process, perhaps enabled by a growing West Bank economy and a permanent end in terrorism, it could take on an importance much larger than itself.

On the drive out of the valley, where the highway swerves past the pillbox with the

beaten Israeli flag and past the turnoff for Ateret, the picture is still mixed.

Armin Rosen writes for and produces The Atlantic*'s International Channel.*

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Cuba in its new stage: SWOT Analysis

Fundación Internacional para la Libertad ("International Foundation for Freedom")
New York, 8 November 2015

On August 14th, 2015, the United States flag was raised in Havana, formally reestablishing diplomatic Relations between the United States and Cuba, which had been interrupted since January 3rd, 1961, some 54 years ago, when Ike Eisenhower was in power in Washington and Fidel Castro in Havana.

The President of the United States, Barack Obama, and his Secretary of State, John Kerry, among many other personalities, have requested the lifting of the economic embargo imposed on Cuba by John F. Kennedy in 1962, in the midst of the Cold War, and in recent days through Havana have come Germans, French, Dutch, and Spaniards to propose bridges to the Island.

The perception is that Cuba, the largest of the thirteen markets in the Caribbean and with the largest population, followed very closely by the Dominican Republic, again opens itself up to international trade and relations.

Overview of the Spanish Antilles

Cuba: 110,860 Km2 – 11,031,000 inhabitants – GDP per capita (PPP) **US$10,200**.

Dominican Republic - 46,670 km2 – 10,349,741 inhabitants – GDP per capita (PPP) **US$12,800**

Puerto Rico: 13,790 km2 – 3,620,897 inhabitants – GDP per capital (PPP) **US$16,300**

For purposes of brevity and objectivity, given the composition of this audience, I´m going to employ the structure of the so-called **SWOT** analysis for contributing to the business decision of investing in that market, refraining from doing so, or awaiting greater clarity and better times. It will not be my function to recommend what should be done, but rather to place certain data and basic elements on the table for decision-makers. They will know what is best for them to do.

The **SWOT** analysis, as we know, lists the positive **Strengths**, the present **Opportunities**, the **Weaknesses** perceived, and the **Threats** detected.

Strengths

1. The thawing announced simultaneously by Presidents Barack Obama and Raúl Castro last December 17th, to which are added the various steps taken by both governments in

the direction of reconciliation, have created an atmosphere of triumphalism regarding the economic future of Cuba loaded with good expectations.

2. According to the surveys, support for Obama´s measures is notably of the majority in both the United States and Cuba, but there are reasons to believe that a substantial percentage of Cuban exiles also support it.
3. As part of this approach, it´s expected that some or many foreign companies will explore the possibility of investing in the Island. There is significant human capital available in Cuba: over eight hundred thousand university students and a generally healthy and educated populace.
4. The Cuban government, after 56 years of continuous exercise of power, appears solidly in control of the situation, without any person or group whatsoever that visibly challenges its authority with any possibility of success.
5. After Hugo Chávez´s election to the presidency of Venezuela at the end of 1998, that oil-producing country transferred to Cuba enormous amounts of resources. The economist Carmelo Mesa-Lago calculates the annual amount of aid at its highest point as thirteen billion dollars.
6. A quarter century after the disappearance of the Communist block, the Castro government, together with North Korea, has shown itself to be the exception to the rule: It has maintained control without renouncing the principles of Marxism-Leninism and the single party system, although cautiously attempting to modify its productive apparatus.
7. In that spirit of "reforms-within-the-system," in April 2010 Raúl Castro presented what are known as Guidelines, outlining his reform of the State, creating spaces for foreign investment and "freelancers."
8. The most important or most visible institutions in Cuban society, such as the Armed Forces and the Assembly of the People´s Power, appear to fully support the steps taken by the president, General Raúl Castro, in the direction of a re-encounter with the United States.
9. Some foreign offices of the European Union, such as the Spaniards, the Germans, and the Dutch, look favorably on what is happening, as does the Vatican, which has participated in the secret meetings to bring an end to the conflicts between Cuba and the United States. Pope Francis has announced his upcoming visit to Cuba as a kind of support for the changes.
10. Cuba exercises enormous influence in the countries of the ALBA, and the clear leadership of the group known as the nations of the XXIth Century Socialism: Venezuela, Bolivia, Ecuador, and Nicaragua.
11. To this list we must add the sympathy and solidarity that Cuba inspires in governments such as those of Argentina, Brazil, Uruguay, Chile, and El Salvador. In summary, the Island has never had a more international identification.

Opportunities

1. The country needs to rebuild almost all of its infrastructure. Everything is obsolete or in ruins: aqueducts and sewerage systems, electrical grids, the Internet, bridges and roads, telecommunications, homes and buildings.
2. There is fertile land for the local production of food. Cuba imports 80% of the food consumed by people and animals. Before 1959 the proportion was reversed.

3. The sugar industry, which before the revolution was the backbone of the economy, with an annual average production of six million tons, has dropped to two.
4. Tourism is a very promising field. The Island, very beautiful and with dozens of beaches, has at least 14 points on both coasts that are potentially transformable into ideal sites for building tourism poles similar to Puerto Banús in Spain or Casa de Campo in La Romana, Dominican Republic.
5. Considering the number of researchers in the field of medicine, totally under-utilized, the country would potentially be the perfect partner of large international pharmaceutical industries, to both develop new medications and produce them.
6. Given the prestige (today somewhat reduced) of its health system, Cuba is potentially an excellent site for medical tourism and a place to establish links with the North American insurance systems. Havana is much closer to Key West than Miami is to Orlando in Florida.
7. Whenever relations are really normalized and travel is facilitated and multiplies, Cuba will become an ideal place to retire for tens of thousands of Cuban Americans and North Americans who perceive an average of US$1,800 a month.
8. Cuba receives some three million tourists every year, and has eleven million inhabitants. In a few years it could receive eleven million tourists and reach the classification of *paradise*. A few daring and intelligent developers could transform the Isle of Pines, in Cuba´s south, into the Mallorca of the Caribbean. In the United States there are 300,000 luxury yachts that could visit Cuba and dock in already existing as well as future marinas.
9. If relations between the United States and Cuba continue to deepen, it´s possible to foresee a Free Trade Agreement that would allow the Island unlimited exports to the richest market in the world.
10. Because of its geographical position, Cuba is an ideal hub for the distribution of ocean-going and air cargo to North and South America.
11. Cuban-Americans, as occurred in the case of Taiwan and China, could transfer to Cuba their business expertise, their relationships, and the capital they´ve created, which would integrate the Island into the business and trade world of the United States.
12. The country, as happened in post-Communist Europe, would be the paradise of the best-known North American fast-foot franchises such as MacDonalds, Burger King, KFC, etc..
13. The same thing would occur with department store chains: Zara, Corte Inglés, Macys, Sears, and the rest of the best known establishments.

Weaknesses

1. The government of Raúl Castro doesn´t want a regime change but rather an improvement of the Communist model initiated in 1959. According to published and verbal statements, the model foreseen isn´t even the Chinese or Vietnamese model, but rather a Military Capitalism of State, where the government reserves the control of the 2,500 largest enterprises in the country, which it exploits directly through the military apparatus or in partnership with foreign capitalists. Cubans will not have access to the means of production, but rather to small service enterprises (small food businesses, beauty salons, etc.).
2. The government of Raúl Castro does not believe, as Deng Xiaoping proclaimed in 1992, that "enriching oneself is glorious." Raúl and Fidel continue to believe that capitalism is an evil expression of the worst human tendencies, and despite those who practice it. In Cuba, entrepreneurs are not encouraged, but discouraged. Capitalists may be

temporarily necessary, but always under the strict control of the political police in order to avoid ideological contamination of the people and the excesses of which they are capable. The government continues to uphold the supremacy of centralized planning over the market, and the virtues of frugality and non-consumption.

3. If an entrepreneur wants to evaluate the country risk before investing anywhere, he looks at the Moody´s or Standard & Poor´s ratings. According to these risk rating companies, Cuba appears on the most dangerous fringe. There is a very long history of arrests or simply noncompliance with obligations, and of re-financing which has turned out to be useless. They haven´t been able to pay their debts due to a serious and basic problem: Cuban society is very unproductive due to the collectivist economic system that they have imposed on it, and because of the size and priorities of public expenditures decided on by the government.
4. The Cuban State lacks substantial reserves, and barely generates sufficient income to survive from month to month. This means that it does not have its own resources to undertake the large public works that it needs, and it requires international loans in order to confront them, which becomes a serious problem because it does not possess reliable credit.
5. In Cuba there are no impartial courts to which one can resort in the case of a dispute of civil law, much less criminal law. There is an absolute legal defenselessness in the face of any conflict with the government or with a state-owned enterprise. The government, according to its needs, arbitrarily pursues, imprisons, or releases any citizen, including foreign businessmen with whom it has a dispute. In other words, the reverse of a true State of Law. That circumstance can be testified to by dozens of persons, including the Panamanian Simón Abadi, the Chilean Max Marambio, or the Canadian SArkis Yacoubian.
6. Foreign businessmen located in Cuba live under the "not-so-discreet" surveillance of the security forces, always in the paranoid search for the mythical and evil agent of the CIA. Many of the Cuban officials and simple neighbors or potential friends don´t dare to link themselves to foreign businessmen out of fear of losing the government´s trust, or are forced to inform in writing about any voluntary or involuntary contact they´ve had with them.
7. Cuba has not resolved the very important problem of currency. Officially, the dollar exchange is approximately on a par with the Cuban peso. On the parallel market it´s 24 pesos to 1 dollar. Cubans collect in pesos, but the government sells to them in dollars, which creates significant dissatisfaction and an obvious sense of injustice.
8. Salaries are very low (some US$24 a month), which determines the nonexistence of a potential market of 11 million consumers. Cubans have the lowest purchasing power per capita in Spanish-speaking America.
9. The banking system is insufficient and primitive. Dollar deposits – as has happened in the recent past – may be frozen at the discretion of the government.
10. Bureaucracy is very slow and insecure. Officials don´t dare to make decisions, and the instructions they receive are sometimes contradictory.
11. The hiring of workers is done through a state-owned company that charges investors in dollars and pays in pesos to the Cubans assigned to these jobs. In the transaction, the Cuban State keeps 94% of the salary. That practice contravenes international agreements signed with the ILO.
12. For over half a century, Cubans have been accustomed to stealing from the State in order to survive, by swelling on the black market the product of that theft. These habits

are transferred to the private sector, particularly because they have lived under an intense propaganda campaign against the capitalist exploiters. They know that socialism leads to disaster, but they believe that capitalism is an activity of hungry wolves.

Threats

1. A substantial part of the policy of reconciliation between Obama and Raúl Castro depends on the lifting of the embargo. Although there is great pressure from the White House, and surveys showing that the majority of Americans want the sanctions to end, there are no guarantees that this will be achieved during this presidency. Neither can one predict what will happen with the relations between the two countries if the next elections are won by a Republican candidate. Two of the most prominent ones, Jeb Bush and Marco Rubio, have criticized President Obama for his new Cuban policy.
2. The repeal of the 1996 Helms-Burton is one of the key requirements for Cuba to be able to approach the IDB, the IMF, or the World Bank. Without that credit, which requires Cuba´s affiliation with these organizations, the Island will have no access to loans to rebuild the costly infrastructure that the country needs. It´s a very slow process that will take a great deal of time.
3. Cuba depends in large measures on subsidies from Venezuela, and Chavism is going through a very bad time, which could end up in its destruction and substitution with a government unfavorable to "the Cubans." The disappearance of Chavism in Venezuela would be an economic and political catastrophe for Cuba. Today the popularity of Nicolás Maduro is less than 20%.
4. The political stability of the Cuban regime until now has depended on control by Fidel and Raúl Castro. Fidel just turned 89, and Raúl will be 84 in June. With them the generation of the revolution will come to an end, giving way to younger people, led by Raúl Castro´s chosen heir, Engineer Miguel Díaz-Canel, who is 55. What´s going to happen then? Could the regime transmit the authority within the Community single-party model without the old leaders who until now have lent shape and sense to the government. Will there arise other candidates with uncontrollable ambitions, presumably young military men, with the intention of taking command? Nobody knows. Nevertheless, Cuban history has been bloody when regimes reach their end. They are replaced by violence.
5. It will be very risky to invest in properties confiscated from their legitimate owners during the first years of the revolution. In both the United States and Spain there are organizations of those injured who are willing to go to court in defense of their rights, and who have hired lawyers to do just that. Originally the victims of the confiscations were North Americans or Spaniards, but over time Cuban-Americans and Hispano-Cubans have been added. Both the United States Congress and Senate and the Spanish Parliament have legislators with these origins.
6. What will probably happen will be something similar to the case of Nicaragua. Nicaraguan exiles, infinitely fewer in number and power than the Cuban-Americans, without congressmen in Washington with their origins, managed to condition American aid to the solution of the confiscations they had suffered during the first decade of the Sandinista government. What´s predictable is that the injured Americans, together with the Cuban-Americans, will manage to halt any American aid or benefit destined for Cuba until their property is returned to them or they are compensated for them.

7. Although in the tourism sector there is an evident possibility of making money in Cuba, it´s doubtful that the North American hotel industry, almost all present on the Stock Exchange, subject to North American legislation and union pressure, would lend itself to collaborating with the Cuban counter-intelligence by facilitating eavesdropping/wire-tapping and clandestine filming inside hotel installations, such as today occurs in Meliá and other European chains, violating even Cuban law which supposedly defends the inviolability of privacy. American lawyers are very clear about the high price German companies had to pay when they associated themselves with Nazism, as occurred with Volkswagen and Bayer.
8. Even though this is not a matter of investing in a country living under a dictatorship, but rather of associating oneself with a dictatorial government in order to exploit workers and companies, it´s very possible that, whenever the opportunity presents itself, those businessmen linked to the Cuban government are going to be accused in court because of the confiscation of 94% of the salary through the exchange of dollars for pesos and other violations of the rules of the International Labor Organization. Workers´ claims will be very high, and there are American law firms willing to bring them in exchange for a percentage of whatever is eventually received.
9. Lastly, two articles of the Cuban constitution profile the inflexibly Communist nature of the regime, and become a permanent threat against foreign investors. Article 5: *The Communist Party of Cuba, Martí-inspired and Marxist-Leninist, organized vanguard of the Cuban nation, is the superior directing force of society and the State.* Article 62: *None of the liberties recognized to citizens may be exercised against what is established in the Constitution and laws, or against the decision of the Cuban people to build socialism and communism. The violation of this principle is punishable*.

From: Michael Wolff [redacted]
Sent: 10/21/2016 7:48:57 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

Ailes said he gave up trying to give advice, that Trump was the boy in pre-school who you just knew was going to throw a truck at another kid's head.

On Fri, Oct 21, 2016 at 3:46 PM, jeffrey E. <jeevacation@gmail.com> wrote:

> did trump also ignore ailes? wild
>
> --
>
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From: Pritzker, Tom [redacted]
Sent: 11/28/2016 6:47:56 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: RE: Re:

Importance: High

Cash or in-kind services?

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, November 28, 2016 12:47 PM
To: Pritzker, Tom [redacted]
Subject: Re: Re:

comey knows that denise neeed to pledge 500k to foundation

On Mon, Nov 28, 2016 at 1:44 PM, Pritzker, Tom <[redacted]> wrote:

Read an interesting article on why Comey screwed Clinton. Came from Israeli press.

1. Comey as DA is hunting down Marc Rich to indict him.
2. Ehud calls Clinton and says please pardon Marc Rich he has done work for Mossad that has been valuable.
3. Clinton pardons Rich and Comey has been pissed ever since.
4. Comey got his opening to get even.

No idea if this is accurate story.

tjp

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, November 28, 2016 12:39 PM
To: Pritzker, Tom <[redacted]>
Subject: Re:

barrack and the boys in pb, wild wild .

On Mon, Nov 28, 2016 at 1:37 PM, Pritzker, Tom <[redacted]> wrote:

Will check

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, November 28, 2016 12:35 PM
To: Pritzker, Tom <[redacted]>
Subject:

im in wed , fri. edelman?

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INSIGHT

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Loved or loathed, globalisation is here to stay

Andrew Sheng says the danger for the world is that its detractors – chief among them the US president – will make the system less fair by ignoring their responsibilities

Depending on who you talk to, globalisation happened either in 1492, when Christopher Columbus discovered America in search of the Orient, or in the 19th century, when America decided to look outwards for trade after its civil war.

By 2000, the movement of trade, technology, finance and investments across the globe seemed unstoppable. Globalisation had lifted billions from poverty and the logic of free trade and capital flows was accepted from Beijing to Zanzibar. But in 2007, when the North Atlantic financial crisis revealed the flaws of excessive financialisation, doubts about globalisation began to creep in.

Globalisation, in the form of the spread of trade, money, people and information, is inevitable, essentially because of expanding demographics and technology. Human beings migrate all over the world, and it was technology – the invention of railways, ships, planes and now information communications – that accelerated the spread of global ideas and genes.

As Nobel laureate Joseph Stiglitz, author of *Globalisation and Its Discontents*, aptly put it, globalisation is either positive or negative, depending on how it is managed.

Like any rational system, the system works well with someone providing public goods.

The internet is such a public good. It gave even the most remote people and places access to global knowledge, thus making the world more inclusive. But if and when the masses cannot benefit from such access, technology and globalisation can widen inequalities, giving rise to anger, frustration and the rise of populist sentiments.

The reality is that globalisation cannot be stopped. But it can be managed better. The issues that arouse anti-globalists can and should be managed. These are the interrelated issues of climate change, disruptive technology, human migration and toxic politics.

Being a businessman, Donald Trump's basic instinct is to manage these issues bilaterally, which is why intuitively he does not like multilateral groups like the World Trade Organisation. But these multilateral institutions provide exactly the global public goods that make globalisation positive rather than damaging. What is fair to a behemoth that accounts for 22 per cent of world gross domestic product may not be fair to a small bilateral trading partner one-tenth its size. The world's multilateral rules, which took years to negotiate, are there because they bind everyone, large or small, to global mutual benefit and shared stability.

What does President Xi Jinping's (習近平) commitment to globalisation in Davos in January really mean? There are several guiding principles behind that gesture.

First, there is Chinese recognition that global problems like climate change, disruptive technology and human migration involve costs that can only be solved from new resources generated through growth in trade and investments.

Second, China doesn't see globalisation as a zero-sum game, but one where there can be benefits for all, provided the downsides are managed on a mutually shared basis, according to mutually agreed multilateral rules.

Third, accounting for only 15 per cent of world GDP, China on its own cannot push globalisation. It must work with the current advanced economies like Europe (25 per cent of world GDP), Japan (6 per cent) and others.

Fourth, to be realistic, China's contribution to globalisation must work on the principle of comparative advantage. Being a latecomer to globalisation, China has considerable first-hand experience in building infrastructure, supply chains and urban conglomeration under third-world conditions. Its comparative advantage is based on the adaptation of modern technology, such as internet platforms, to lower trading and transaction costs. India, Kenya and other emerging markets are also moving in the same direction.

In short, to promote the good side of globalisation, we must apply 21st-century tools and experience to manage 21st-century problems. Going forward, the complexity is that Trump is pushing the leading economy to swing from a major contributor of global public goods to a "taxer" on globalisation. That is the true meaning of the border tax and the choking of allies that they need to contribute to any bilateral efforts in defence or in the building of walls. But America works on the basis of freely importing resources and talent way in excess of domestic production. That exposes itself in its larger and larger current account and fiscal deficits and its growing global debt.

Which is why everyone prays that saner heads will prevail in America's commitment to globalisation. "America first" cannot operate on the basis of everyone else loses. Just as business is too important to be left to businessmen, globalisation is too important to be left to its discontents.

Andrew Sheng writes on global issues from an Asian perspective

A section of a border fence separating the US and Mexico is under construction. Photo: Bloomberg

US AKEABLE CORE

Robert Lawrence Kuhn says China's 'two sessions' underlines the non-negotiable nature of Xi's status as core leader

The "two sessions" in Beijing – the annual meetings of the National People's Congress and the Chinese People's Political Consultative Conference – offer some sense and insight about China's governance. Attending them this year, I have come away with several impressions.

One is the conjunction of two ways of thinking that Westerners would deem incompatible: stricter conformity and enforcement of political orthodoxy, and greater freedom and encouragement to critique government programmes. To understand China's system of governance, especially under President Xi Jinping (習近平), now the "core" of the Chinese Communist Party, is to appreciate why these two ways of thinking are deemed complementary, not contradictory. China's leadership recognises that it needs the wisdom of society, especially the expertise of the intellectual elite, to critique and improve government, but the concern is that such criticism could be destabilising. Hence the political controls to enable the criticism.

China watchers scrutinise everything going on here – work reports, press conferences, policy announcements, personnel moves, sideline comments, even seating arrangements. Which policies are stressed? What signals are sent? Any surprises? What's "in the air"?

Listening to Premier Li Keqiang (李克强) give the annual government work report to the nearly 3,000 NPC delegates assembled in the Great Hall of the People, one is struck by the civilisation-state pageantry of China state power and the sheer magnitude of managing this huge country. One must comprehend the country as a whole, integrating political, social, cultural and ecological sectors with the economy. To focus only on the economy is to distort the lens with which to view China.

To the untrained eye, the structure and phrases of work reports look similar to those of previous years. But look closely and one sees the small but revelatory differences.

China's ruling party prides itself on careful, incremental change, and usually this is the case. But occasionally we catch sharper breaks with past practice. This year, three aspects stand out: reform, innovation and, most significantly, Xi's leadership.

First, while reform has long been a key feature of government work reports, the pervasiveness of reform this year makes it special. Almost every section is founded on reform. Regarding the economy, "supply-side structural reform" is the well-known watchword, and the report calls for cutting industrial overcapacity, reducing urban real estate inventory, deleveraging Chinese firms by decreasing debt, and cutting costs for doing business. All this I expected.

What I did not expect was the specificity of directives for cutting costs – with five detailed prescriptions, such as reducing a blizzard of government-imposed fees, about which entrepreneurs have been complaining loudly. Reform affects almost every aspect of society, including the household registration system (*hukou*), health care, environmental protection, intellectual property rights and streamlining government bureaucracy.

Innovation is stressed for industrial transformation – not simply platitudes promoting science and technology but practical steps, such as enabling universities and research institutes to "operate with autonomy" and to implement "incentive policies like stocks, options and dividends".

It could hardly be clearer that China's "socialism with Chinese characteristics" continues to separate itself from the failed forms of 19th-century socialism that founded the old Soviet Union and was passed to China prior to the reforms of Deng Xiaoping (鄧小平). The pervasiveness of reform and the call for innovation are the product of Xi's leadership, which is what really marked the two sessions. In his work report, Premier Li pledged to implement "General Secretary Xi Jinping's major addresses and his new vision, thinking and strategies for China's governance", and the "four-pronged comprehensive strategy", the political theory that Xi unveiled in 2015.

> **One must comprehend the country as a whole ... To focus only on the economy is to distort the lens with which to view China**

One need not be a China hand to see that Xi's "four comprehensives" – to build a moderately prosperous society, deepen reform, advance the law-based governance of China, and strengthen party self-governance – has been elevated to a foundation of theory of the state. In the theory section of the work report, Xi's contributions take up 39 words in the English translation, more than double the theories of former leaders Deng, Jiang Zemin (江泽民) and Hu Jintao (胡锦涛), which collectively take up 18 words.

Separately, while "Marxism-Leninism" and "Mao Zedong thought" were duly noted in the draft general provisions of civil law, the famous phrases didn't make the more important government work report. I doubt the cut was made to save space.

The significance of Xi's role as China's preeminent leader is that it provides political stability and coherent policies, such that the crucial 19th party congress, forthcoming in the autumn, should play out according to expectations. My take from speaking with delegates is that Xi's leadership position as core of the party is confirmed and enhanced. This means that China can focus on the hard tasks of enhancing reform and transforming the economy.

One other development is notable: the NPC is becoming more an empowered deliberative body and less a "rubber stamp" cheerleader. An example of this is the multifaceted process of constructing a comprehensive civil code, targeted for 2020. After three revisions, the general provisions of civil law finally provides a framework for codifying some 200 civil and commercial laws in constructing a legal system to serve civil society. The NPC's growing confidence to disclose disputes and to allow, indeed to encourage, debates is promising.

And what of Xi's anti-corruption drive? Foreign media typically assume that the drive reflects a power struggle among leaders and factions, while some Chinese officials claim that it has nothing to do with political struggle.

There are multiple reasons for the campaign, of course. More incisively, we can see how the campaign has been energised by Xi's "four comprehensives" political theory. One, realising a moderately prosperous society is hindered by corruption; two, reform is resisted by corrupt officials who protect their illicit financial benefits; three, the drive exemplifies the rule of law; four, strictly governing the party could be defined as anti-corruption.

A few of the now-caged "tigers" were convicted of "seriously violating the party's political discipline" "banding together in gangs and forming factions", and conducting "non-organisational political activities" – a not very veiled code-phrase for attempting to undermine China's leadership. By eliminating these political threats, the anti-corruption campaign helps ensure political stability, especially as the country enters the final run-up to the 19th party congress.

There is now no ambiguity: China is under the firm leadership of the party's Central Committee, with Xi as its core, and alignment with Xi's "four confidences" doctrine – in which officials are urged to be "confident in China's chosen path, political system, guiding theories, and culture" – is non-negotiable.

Many areas of society and government are open to debate, but not the core principles and not the core leader. These have been decided and conformity is expected. Only with such unity can the "four comprehensives" bring about the great rejuvenation of the Chinese nation and realise the Chinese dream.

Robert Lawrence Kuhn is a public intellectual, political/economics commentator, and an international corporate strategist. He is the host of Closer to China with R. L. Kuhn on CGTN (produced by Adam Zhu)

John Tsang and a question of political ethics

John Chan says Tsang's assertion that his chief executive bid was an afterthought is unconvincing, given events of the past two years

John Tsang Chun-wah has said he resigned as financial secretary not to run for chief executive, "but because of many other things". "Unhappiness at work was one of the reasons. It was not a sudden decision." He also said he only made up his mind to run after he had left.

Most would find that hard to believe. Judging from Tsang's high-profile preparation over the past two years, and the fact that he never denied suggestions that he intended to run, it is inconceivable that he should say he resigned in December not to run for the top post but for some other reason.

Consideration of political morality explains why Tsang may have presented his case as an unbelievable sudden decision. He knows it would be deemed politically unethical and immoral if he should admit to preparing to run for two years, or even from just before Chief Executive Leung Chun-ying unexpectedly announced he would not seek a second term.

Former chief secretary Carrie Lam Cheng Yuet-ngor, in stark contrast to Tsang's wishy-washy stance, had always clearly asserted that she would not run. Her firm denials changed only after Leung said he would not seek a second term. Lam was clear on the point that it would be politically immoral for a serving cabinet member to contest the top post with the incumbent also running.

In the US, the last time a former cabinet secretary became a major party's choice for president was in 1928, when commerce secretary Herbert Hoover won the Republican nomination and went on to become the 31st US president. However, he ran only after sitting president Calvin Coolidge said he would not. It is political ethics that stops a US cabinet secretary running against a president seeking re-election. This is unlike in the parliamentary system in the UK or Commonwealth nations, where ministers are elected members of the ruling party or coalition. Ministers and other ruling party MPs choose their party leader, who becomes the prime minister. They also have the power to depose and replace the incumbent.

Hong Kong's cabinet of bureau secretaries nominated by the chief executive is similar to the US system. If a financial secretary wishes to run against his chief executive who is bidding for a second term, he must resign as soon as he manifests such an intention – failing to do so would be politically immoral.

Tsang was quoted as saying, when questioned on his obvious rift with Leung during the Wang Chau development saga, that: "You always agree with your boss. No question about that." An explanatory extension could be: "If you do not agree with your boss, you've got to leave. No question about that." More so if he harboured an intention to run against Leung.

Almost all local media and commentators said Tsang had been making preparations to run for the top post for more than two years: Tsang himself has never denied this. It was thus a big surprise that he should choose to say the idea only emerged after his resignation was approved by Beijing. It comes across as a futile attempt to brush aside the lingering doubts over his political morality, given his preparations for the past two years.

John Chan is a practising solicitor and a founding member of the Democratic Party

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From: Robert Kuhn [[redacted]]
Sent: 4/8/2017 6:28:05 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Kuhn - The Science of Sleep and Dreams

Importance: High

Just arrived NY, here for ~10 days.

Now with the Trump-Xi Summit over (utterly overwhelmed by Syria strike), back to Closer To Truth.

When good to meet?

Robert

On Mar 23, 2017, at 4:23 PM, jeffrey E. <jeevacation@gmail.com> wrote:

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When we asked Patrick, his first response – "This is the ideal time to tell the sleep-and-dreams story" – and he cited (in essence) your two questions, in that (i) the multiple breakthroughs are now sufficiently well corroborated by numerous independent labs such that a substantial foundation for the new, deeper understanding of sleep and dreams is now for the first time (over the past few years) confirmed and established, and (ii) there are now interesting application and critical clinical questions to pose, explore and pursue, such as for the treatment of various mental-related illnesses that have known sleep-related syndromes (e.g., PTSD and Depression).

To understand the significance of recent breakthroughs, a defining characteristic of sleep and dreams is that there are two distinct kinds of sleep – REM (rapid-eye-movement) Sleep and NREM (non-rapid-eye-movement) Sleep. Most dreams are associated with REM sleep (though complex). The eye movement gives the eponymous name, but a more important designation defines the two stages in terms of brain waves (electroencephalograph – EEG): REM is Fast-Wave Sleep (similar to the waking state) and NREM Sleep is Slow-Wave Sleep (very different from the waking state). This difference between REM and NREM sleep has been known since 1953 (different EEGs since 1937), but its deep significance has only been discovered and confirmed in very recent years (as explained below).

Following are the key areas of breakthrough in sleep and dreams (from Patrick). Patrick states that these are now reproducible, non-controversial, and well-accepted among experts, although still not appreciated by the public - hence the high value of our CTT TV series. The organizing idea is why and how are sleep and dreams essential for normal memory consolidation and bodily health / well-being.

<u>Memory Consolidation</u>. There is a fundamental difference between REM and NREM Sleep for memory consolidation: REM is for emotional memories, whereas NREM is for declarative and procedural memories. Hence, understanding and dealing with REM emotional memories can lead to treatment for the many neuropsychiatric illnesses that have sleep/dream-related disorders or syndromes (Parkinson's Disease,

Anxiety, Substance Abuse, many sleep disorders such as Nightmare Disorder, etc., in addition to PTSD and Depression). Research shows bi-directional causality between neuropsychiatric disorders and sleep disorders. This is a superb example of how fundamental science breakthroughs lead to clinical breakthroughs. This fact that REM is associated with emotional memories is nicely consistent with the apparent psychotic nature of dreams, because in REM Sleep the frontal cortex is 'down-regulated' (and the frontal cortex is associated with rational planning, reflection, controlling impulses), while in REM Sleep the limbic system is 'up-regulated" (and the limbic system is associated with emotions and feelings) – see Neuroimaging below. This is why dream states flood the ego with emotional fantasies without rational control. However, it is also true that the limbic system enables creative ideas, thus grounding in science the long-suspected idea that sleep and dreams can enhance creativity.

As Dr. Robert Stickgold, our other advisor on the series, wrote: "It would be nice if we could talk about sleep and memory as if there were only one type of memory and one type of sleep. But this is far from the case. Sleep and memory each comes in many forms, and furthermore, memories can go through multiple forms of post-encoding processing that must be individually addressed."

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Neuroplasticity. Exciting recent research has reversed the century-long conventional wisdom that new neurons are never created in adult animals/humans. The development of new neurons – neuronogenesis – is a vital part of maintaining normal brain and mental functioning. New neurons are being created, importantly, in the hippocampus (brain organ where new memories are encoded) – but, remarkably, the neuronogensis in the hippocampus occurs only/largely during REM Sleep – a stunning finding. This is another reason why REM sleep is needed for emotional memory consolidation (normal functioning).

Dream-Content. Although dreams have sparked human fascination and fantasy for thousands of years, only in very recent years, have large-scale surveys been conducted with rigorous design, classifications and statistical analysis. Literally hundreds of thousands of dreams are enabling statistically significant theories, including cross-cultural analyses (similarities and differences). Dream-posting sites have revolutionized size and structure of dream data sets. This enables, for the first time, longitudinal studies of dreams over time. Patterns are repeated. For example, in general, the dreams of males and females differ in fundamental ways. Males will engage in fighting with other males; females with both males and females. Male dreamers are often the initiator of fights and the fights are usually physical. Females fight verbally. Aggressiveness by the dreamer is almost always in REM Sleep, rarely in NREM Sleep. (Why is a continuing question.) "Lucid Dreaming" is a new area of fascinating research. Lucid Dreaming is where the dreamer "knows" that he/she is dreaming while dreaming (a talent that a small minority possesses but more can be trained/developed). Lucid dreamers, while sleeping, can now communicate with experimenters by altering their brain activity and thus becoming detectable by neuroimaging techniques (see below).

Neuroimaging. Finally, neuroimaging technology has enabled many of these breakthroughs. As such, it is itself a methodological breakthrough that has enabled these other content breakthroughs. Neuroimaging now enables detailed location of the neuroanatomy and neurophysiology of REM and NREM Sleep. In REM Sleep, the dorsolateral, frontal cortex is "down-regulated", whereas the limbic system is "up-regulated",

showing the physiological basis for the emotional, wild-fantasies of dreams (see above). (Neuroimaging will enable good visual images for the TV series without extra costs.)

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From: Robert Kuhn [redacted]
Sent: 4/8/2017 5:56:40 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Kuhn - The Science of Sleep and Dreams

Importance: High

Got it

שמח חג

On Apr 8, 2017, at 5:41 AM, jeffrey E. <jeevacation@gmail.com> wrote:

will be back in new york wed . happy passover

On Sat, Apr 8, 2017 at 2:28 AM, Robert Kuhn <[redacted]> wrote:
Just arrived NY, here for ~10 days.

Now with the Trump-Xi Summit over (utterly overwhelmed by Syria strike), back to Closer To Truth.

When good to meet?

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COMMENT

Jean Pierre Raffarin and Xu Gai

A new growth point for world economy

In Europe, the Belt and Road Initiative does not get the attention it deserves. However, the history of the ancient Silk Road has fed our imagination for centuries. Today, China speaks for reality while Europe is limiting itself to curiosity. But newly elected French President Emmanuel Macron can accelerate Europe's interest in the initiative.

President Xi Jinping surprised the rest of the world when he announced the Belt and Road Initiative. As often happens in China, the idea is the result of a deep strategic reflection.

China is seeking big markets for its industrial products. Marginal gains of globalization are shrinking, and growth needs a new revival. In Asia, this new revival is called connectivity. By helping the economies along the Belt and Road routes to develop and improve their infrastructure, hard and soft, China is reinforcing its openness and the upgrading of its manufacturing sector.

The initiative will also help the internationalization of its currency and, in the long run, the transformation of its growth toward quality.

Europe should find interest in this. Under the initiative, cooperation with China on its two aisles, Eurasia and "Eurafrica", can allow the European Union to reach its economic growth and employment targets.

That big geostrategic region must become "a community of interests, of responsibility and common fate".

As Premier Li Keqiang has often said, "today, no nation can succeed alone". Therefore we must invent international engaging projects. This perspective is definitely pacifist. And by serving development and prosperity, it serves peace.

China's analysis needs to be studied. In the past, the East was the place where goods were born, and the West where they matured. Today, the West is standing still or even going backward while the East initiates reforms.

Asian dynamics must reach Europe. As a country of new technologies, France is ready. Its interest is even more relevant since the United States has become more unpredictable and is turning toward the Asia-Pacific region while ignoring Europe.

Eurasia is the future global balancing power. In the initiative, Europe can find a historical opportunity to put itself into a more central world position. So, is this the time to redefine transatlantic relations?

For China, the West-led globalization has created harsh competitions, partly destructive. It points to civilizations moving backward, for example, by giving rise to populism in the West and Brexit. That is why the election of Macron as French president sends a message of trust and hope.

Eurasia, marked by great civilizations such as Egyptian, Babylonian, Greek, Indian and Chinese, can be the place of rebirth of civilization. And oceans must again find a place in this civilization.

The Belt and Road Initiative, like other innovative 21st century ideas, is not speculative or virtual. Huge financial means and multilateral tools have been invested to give shape to the initiative, which will reform global governance.

The Asian Infrastructure and Investment Bank will definitely leverage growth for Eurasian economies. And the initiative, BRICS New Development Bank and the Silk Road Fund all show that China has the power to realize its vision.

In the next five years, China will import $10 trillion worth of goods and invest more than $500 billion abroad. The current pace is faster than the 13th Five-Year Plan (2016-20) precast. For the first time this year, Chinese investments abroad have exceeded foreign investments in China.

France is following the initiative with interest, and must realize that it directly touches its interests and alliances. This is a great opportunity for the new French president.

By choosing a message of openness, the French people have shown they are open to great adventures that serve development, hence peace.

Jean Pierre Raffarin is former prime minister of France and president of the Senate's Foreign Affairs, Military and Defense Commission, and Xu Gai is his advisor on China affairs.

Yang Yanyi

Together we can make a difference

The Belt and Road Forum for International Cooperation to be held in Beijing on Sunday and Monday will see the participation of some 1,500 officials, scholars, entrepreneurs from more than 130 countries, and representatives from more than 70 international organizations. Of the 29 heads of state and government who will participate in the forum, quite a few are from Europe. European Commission Vice-President Jyrki Katainen, too, will take part in the forum.

At a time when the global economic recovery is still sluggish, trade and investment remains weak, and growth impetus unstable, the forum offers an excellent opportunity to review the gains and, more importantly, to build a closer and stronger partnership.

China and the European Union share much in common in pursuing shared growth, development and connectivity, including through the Belt and Road Initiative, and have come up with a proud record so far.

At the 17th China-EU Summit in 2015, China and the EU agreed to synergize the initiative and the Investment Plan for Europe. China and some EU countries have signed inter-governmental cooperation agreements and launched a Belt and Road working group mechanism to jointly advance the initiative. Also, China and 16 Central and Eastern European countries have worked closely to enhance cooperation under the Belt and Road Initiative and the 16+1 framework.

As concrete steps to promote seamless traffic flows, China and the EU signed an MOU for the establishment of a "Connectivity Platform". China has launched railway freight service to some European countries. And cooperation in such areas as railways, ports, airports, power, transportation and logistics has gathered momentum.

The two sides are also working together to deepen dialogue and cooperation in information and communications technology.

To develop practical financial avenues for mutually beneficial cooperation, China and the EU agreed to set up a co-investment fund. And early this year, China became the 67th member of the European Bank of Reconstruction and Development.

The Beijing forum has now raised the two sides' interest in exploring potential areas of cooperation to create fresh energy for pursuing interconnected development. To contribute to the ongoing efforts and deliberations, here are my suggestions.

First, the Belt and Road Initiative is guided by the spirit of openness and constructive cooperation. Given the rising protectionist and anti-globalization sentiments in many parts of the world, it is in our interest that China and the EU stay committed to free trade and economic openness, a rules-based, transparent and fair international trading regime and order, and open up markets, oppose protectionism and secure greater connectivity and economic development and prosperity.

Second, the initiative is a win-win formula. The notion that this project is designed to enable China to access new markets, which will pose a challenge, even "threat", to the future of Europe is wrong, as it neglects the fresh perspectives it will bring to European integration. Being open, transparent, harmonious and inclusive, the initiative is an invitation to all economies along the Belt and Road routes to build synergies between their development strategies and the initiative, explore cooperation, and share the benefits of the projects.

Third, it is time that China and the EU capitalized on the new opportunities offered by the initiative. Among others, China wishes to broaden policy coordination and advance cooperation consensus through an institutionalized dialogue mechanism, more closely collaborate on concrete projects within the China-EU Connectivity Platform, work closely to explore ways and means of joint financing and initiating projects, and deepen China-EU legal affairs dialogue with a view to creating a favorable environment for business.

We are more than ready to add new dimensions to our cooperation with the EU. For instance, given that China is transforming its economic development model based on innovation, and innovation remains essential to European integration, we should make deepening cooperation in science and technology and innovation our top priority.

And fourth, we hope that at the Beijing forum and the 19th China-EU Summit, China and the EU will send out this positive message: as the two parties vital to the maintenance of world peace and promotion of common development and shared destiny, China and the EU will shoulder the shared responsibility of promoting the construction of a more fair, reasonable and balanced global governance system based on openness, inclusiveness and win-win cooperation, and that together we can make a difference.

The author is the head of the Chinese Mission to the European Union.

Robert Lawrence Kuhn

Initiative marks transition of grand vision

The Belt and Road Forum for International Cooperation marks a transition of high symbolism in President Xi Jinping's grand vision for a new era of win-win globalization. The core idea is to structure, finance and build critical infrastructure in developing economies, as well as diversify and expand the Chinese economy, which needs restructuring.

This is the fourth Belt and Road forum I will attend.

Xi announced the Silk Road Economic Belt as a "grand cause benefiting people in regional countries along the ancient route" in Kazakhstan in September 2013. In June 2014, I was asked to articulate the vision at the first Belt and Road forum in Urumqi, Northwest China's Xinjiang Uygur autonomous region. I described five categories: history, culture, trade, mutual development and peaceful development.

The second forum was in Quanzhou, Southeast China's Fujian province, in February 2015. It enlarged the vision to include the 21st Century Maritime Silk Road, engaging Southeast Asia, South Asia, the Middle East and East Africa.

The third forum was held in Xi'an, Northwest China's Shaanxi province, in September 2016, with the theme "Shared Memory, Common Development".

To comprehend Xi's Belt and Road Initiative, one must appreciate globalization, which is founded on the perennial law of comparative economic advantage but which is suffering discontent due to its differential impact on workers in Western countries. In a reversal of historic proportions, China now champions globalization, while the United States is now conflicted with "America First" protectionism.

LI MIN / CHINA DAILY

China's developmental miracle is founded on globalization, as Chinese workers made China the low-cost manufacturing center of the world.

But China's old model no longer works — for one, workers must be paid higher salaries to rebalance severe socio-economic imbalances. China must develop new modes of globalization, leveraging its expertise and experience, especially in infrastructure construction, which is just what the developing economies need for their development.

The initiative is to expand links between Asia, Africa and Europe, and thus reduce imbalances in national development and promote global economic growth. It focuses on projects such as high-speed railways. Development comes first, China believes; nothing good can happen without economic growth.

The Beijing forum seeks consensus on major cross-regional projects, especially networks of roads, railways and shipping.

At the Xi'an forum, I chaired a session (on the media), which was held at precisely the same time as the first debate between US presidential candidates Donald Trump and Hillary Clinton.

"One hundred years from today," I began, "when the history of our times is written, our forum on the Belt and Road (Initiative) will carry more significance than the Trump-Clinton debate."

I was joking in one sense, but not in another. Why is the initiative so significant?

From the global perspective, poverty, under-development, and vast inequalities are deep, seemingly intractable problems — and economic development, catalyzed by infrastructure construction, is an essential part of the solutions.

From China's perspective, after decades of remarkable growth, economic transformation is necessary, and this includes geographical rebalancing within China and expanding China's trade by enhancing globalization.

All of these can be achieved by the initiative, but only if formulated synergistically and implemented assiduously. There are substantial challenges, of course — economic, financial, structural, political instability, nationalism, terrorism and, in certain circles, suspicion of China's motives.

But for sure, the world has great need and China has a grand plan in the Belt and Road Initiative.

The author is a public intellectual, political/economics commentator, and international corporate strategist.

Sultan Ahmed Al Jaber

Building a bridge to our common future

The Belt and Road Forum for International Cooperation in Beijing is a milestone in the development of China's Belt and Road Initiative, a historic effort to transform the economies along the two routes, strengthen links between them and better connect them to the rest of the world. The United Arab Emirates strongly supports the initiative, which will foster economic growth and security both regionally and globally.

Substantial progress has been made since President Xi Jinping announced the initiative in 2013. During this period, China has directly invested more than $50 billion and helped establish the Asian Infrastructure Investment Bank — a new multilateral institution designed to finance vital public works in Asia's emerging economies. The UAE is a founding member of the AIIB and committed to its central mission of bringing the Belt and Road Initiative vision to life.

China's approach to economic development mirrors our own. We share the same core beliefs in the essential connection between trade, peace and prosperity. For both our peoples, these beliefs go beyond stated principles to concrete actions, best expressed by the strength of our bilateral trade, which has grown dramatically — almost 800 times, in the three decades since we established formal relations — from $63 million in 1984 to more than $50 billion in 2016.

Our cultural and economic ties with China go back centuries. But today's trade spans multiple sectors, with one of the most important being energy.

Recognizing that energy demand in the economies along the Belt and Road routes will grow by 50 percent by 2040, both China and the UAE have made strategic co-investment in this sector. China National Petroleum Corp and China Energy recently took a minority share in the UAE's onshore oil reserves, beginning a partnership with the Abu Dhabi National Oil Company that will secure oil supplies for decades and ease market access for essential and higher value products throughout the region.

ADNOC's petrochemical company, Borouge, is celebrating seven years of operations in China during which the trading volume has quadrupled. Borouge is gearing up for market growth both within China and in the economies along the Belt and Road routes, where demand for petrochemicals and plastic, including essential utility piping and cable insulation, is expected to more than double by 2040.

At the pivot point between Asia, Europe and Africa, the UAE is ideally located as a logistical hub that can facilitate trade to and from the economies along the Belt and Road routes. DP World's Jebel Ali Port is the largest in the Middle East and Abu Dhabi Ports Company is one of the fastest growing. Last year, Abu Dhabi Ports Company partnered with China's shipping giant COSCO to build a new terminal at Khalifa Port that will double cargo capacity, further expanding the flow of commerce among the economies along the Belt and Road routes and the world's other major trading blocs. As many economies along the two routes look to extend their footprint in Africa, the UAE represents a natural nexus for developing mutually beneficial trading links.

The 65 economies along the two routes account for 30 percent of global GDP. By 2040, they will account for almost two-thirds, thereby becoming the world's most significant driver of economic growth. Making the right investments now will ensure this growth remains sustainable and more evenly spread.

In short, the success of the Belt and Road Initiative can provide the foundation for a more secure, prosperous and progressive future for the world.

The author is a minister of state in the United Arab Emirates and ADNOC Group CEO.

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+254 (0) 20 522 3498 (Nairobi)
editor@chinadailyafrica.com
enquiries@chinadailyafrica.com
subscription@chinadailyafrica.com

From: LHS [redacted]
Sent: 5/28/2017 11:36:50 PM
To: jeffrey E. [jeevacation@gmail.com]
CC: lhsoffice[redacted]
Subject: Re: Is Donald still feeling good

Importance: High

More would represent Donald if Kaslowitz out of picture. Not surprising. very hard to be law firm representing POTUS and know what to do when potus lies to u.

My world thinks poorly of Gorelick for representing Jared.

How guilty is Donald?

Of crudity surely
Of gross ignorance surely
Of being utterly without the intellect temperament for job surely
Of being over line on family profiting very likely
Of gross disregard for appearances almost surely.
Of Russians having financial leverage. Less clear
Of Russians helping in. Election w complicity of his campaign plausible but not certain

Strikes me if u work for Donald u don't free lance so he is guilty of whatever his campaign did.

Do u agree w foregoing?

Sent from my iPad

Please direct all scheduling inquiries to my office at: [redacted]

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From: jeffrey E. <jeevacation@gmail.com>
Sent: Sunday, May 28, 2017 7:28 PM
Subject: Re: Is Donald still feeling good
To: LHS <[redacted]>

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On Sun, May 28, 2017 at 7:22 PM, LHS <[redacted]> wrote:

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>
> Sent from my iPhone

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From: LHS [redacted]
Sent: 5/29/2017 12:49:27 AM
To: jeffrey E. [jeevacation@gmail.com]
CC: lhsoffice [lhsoffice@lawrencesummers.com]
Subject: Re: Is Donald still feeling good

Importance: High

With demand happy to consider and likely do. Dont want to go sucking up.

Did Klein do it again? Agree bad business. Or are u referring to what u talked about months ago.

Sent from my iPhone

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On May 28, 2017, at 7:49 PM, jeffrey E. <jeevacation@gmail.com> wrote:

BTW , still not sure why michael klein decided to try to attack me. wasn't smart or necessary, . used our friendship as a source, . thought you should know. not nice

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Sent: 6/2/2017 3:08:29 AM
To: jeffrey E. [jeevacation@gmail.com]
CC: lhsoffice [lhsoffice@lawrencesummers.com]
Subject: Re: Is Donald still feeling good

Importance: High

??

Sent from my iPad

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From: Larry Summers [redacted]
Sent: 10/27/2017 3:10:13 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Trending Now: Friends for three decades, Trump whisperer says he is 'stunned' by president's rhetoric

Importance: High

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From: jeffrey E. <jeevacation@gmail.com>
Sent: Friday, October 27, 2017 6:51 PM
Subject: Re: Trending Now: Friends for three decades, Trump whisperer says he is 'stunned' by president's rhetoric
To: Lawrence Summers <[redacted]>

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Date: Wed, Oct 11, 2017 at 9:04 AM -0400
Subject: Trending Now: Friends for three decades, Trump whisperer says he is 'stunned' by president's rhetoric
To: "Summers, Lawrence H." <[redacted]>

Democracy Dies in Darkness

Trending Now Wed., Oct. 11, 2017 9:01 a.m.

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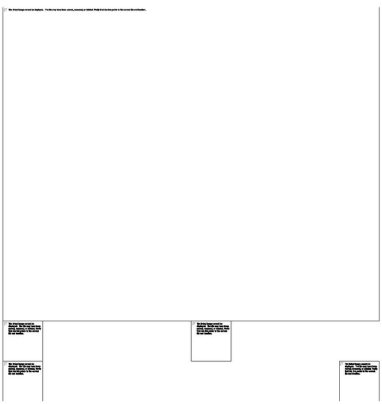

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From: Larry Summers [[redacted]
Sent: 10/27/2017 3:46:57 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Trending Now: Friends for three decades, Trump whisperer says he is 'stunned' by president's rhetoric

Importance: High

Lot of ruin in a nation

Sent from my iPad

Please direct all scheduling inquiries to my office at: [redacted]

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On Fri, Oct 27, 2017 at 7:46 PM +0400, "jeffrey E." <jeevacation@gmail.com> wrote:

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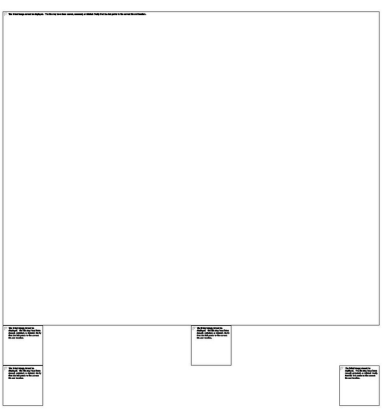

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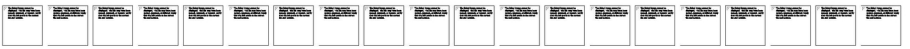

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To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Trending Now: Friends for three decades, Trump whisperer says he is 'stunned' by president's rhetoric

Importance: High

Hard to tell.

General view Donald is a clown, increasingly dangerous on foreign policy.

Sent from my iPad

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On Fri, Oct 27, 2017 at 7:52 PM +0400, "jeffrey E." <jeevacation@gmail.com> wrote:

> what was the consensus of your fellow attendees at the saudi conference . He, Donald belives everything is honky dorey. . especially after the flake concession. tax legislation, being put together by the committees. . all odd
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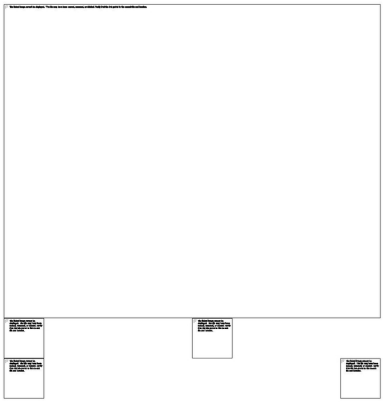

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From: Robert Trivers [redacted]
Sent: 6/24/2018 6:11:37 PM
To: Jeffrey Epstein [jeevacation@gmail.com]

Importance: High

Jeffrey

finally landed

very unpleasant journey

you had nothing to do with how Chapman acted and i apologise for suggesting it might be otherwise

it was entirely against me, partly motivated by a spiteful ex-friend

consulted two lawyers that Gordon recommended but they were very discouraging

—-

the basic problem is simple—i am going against a strong national trend—well-known man after well-known man is being brought low for alleged his misbehaviour toward women—in some case well-deserved prison time (Cosby and perhaps Weinstein) in many other cases, simply being run out of institutions—exactly my fate

furthermore in he say/she say confrontations the evidence has shifted—in University settings at least—from 'beyond a reasonable doubt' to a 'preponderance of evidence' to 'more positive than negative'

the loss is huge, on the order of a half million to a million dollars, meant to keep me alive (they were going to offer a five-year contract) while i let my 'inheritance' be spent on children and grandchildren while also growing

i have no choice but to work

—-

i will get my revised Wild Life to an agent later this week—have added 5 new chapters and a few sections—much stronger for the inclusion of my major scientific work—1. social theory based on natural selection and 2. selfish genetic elements selected **within** organisms

then i have Honour Killings set to roll, as well as another one

—-

hope you are thriving—and also hope Trump will stop this international trade nonsense—a lose/lose war—especially as it affects the stock market or so it seems to me

best wishes

bob

From: Robert Trivers [redacted]
Sent: 6/25/2018 2:19:44 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:
Attachments: EPSTEIN.docx

Importance: High

perhaps i misunderstood "let's concentrate on you"

Jamaica is bad enough but i have mastered that—at least the danger—4th highest murder rate in the world

as for the US i have alienated large stretches of it—i will spare you the details

—

i was amused that you are now friends with JD Watson

he single-handedly prevented me from getting a Junior Fellowship at Harvard

In 1972 I got my PhD in Biology and it was conventional to nominate the very best post-docs for a Junior Fellowship, Harvard's most prestigious award—it provided three years of research support without any duties. I was the best student out of Evolutionary and Organismic Biology in more than 20 years. The entire department was behind me.

but Watson was on the 3-man committee, in charge of all the science candidates and he deemed my two papers, reciprocal altruism and parental investment and sexual selection as "not being science" and dismissed me in one sentence. Well bless his soul, he now does not even understand his own subject—yes, i speak of genetics—because having remained resolutely ignorant of evolutionary logic and biology he can neither understand the shape and form of the genotype nor how it differs systematically within life

—

i have been preparing something for you for a long time on human intelligence, Africa, parasites etc because i prefer to get things right but i am ready to send you what i have

main focus is—Africans stupid or smart?

bob

On Sun, Jun 24, 2018 at 4:23 PM, Robert Trivers <[redacted]> wrote:

Many thanks. By all means let's concentrate on me and not Trump. If Enhanced Learning can make its annual gift of 30 that would have a huge positive effect on me and my future. Let the market take care of itself. All best

Sent from my iPhone

On Jun 24, 2018, at 2:02 PM, jeffrey E. <jeevacation@gmail.com> wrote:

trump ok, lets concentrate on you. trade war maybe good. shakes things up

On Sun, Jun 24, 2018 at 8:11 PM, Robert Trivers <[redacted]n> wrote:

Jeffrey

finally landed

very unpleasant journey

you had nothing to do with how Chapman acted and i apologise for suggesting it might be otherwise

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best wishes

bob

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Africa, parasites, intelligence

To understand intelligence in the tropics, e.g. among dark-skinned Africans, you need to understand the importance of parasites—both as an environmental factor that exerts a **negative** effect on mental development and a **positive** effect on selection for biological diversity of all sorts, including intelligence.

1. Taking first the well-known negative effect of parasite load on individual intelligence—in the US the parallel factor is toxins and also indoor parasites, as in tenements—the US is now more segregated by race than it was in 1965 and so that many studies show that there is a strong tendency for whites to live in healthy environments and blacks inferior habitats.

For Africa, the environmental factor is parasites—disease—known to exert a strong negative effect on intelligence.

They also exert a very strong positive effect for genetic diversity in their hosts that may in turn select for some groups excelling in intelligence, even if the mean is lower—variance is higher.

2--Hominids have always emerged from Africa, *erectus, sapiens, sapiens neanderthalensis* and *sapiens sapiens,* but with trivial exceptions **never** in the reverse direction--why? Because Africa is the most genetically variable part of the world, especially the smaller the organism, hence parasites. African human populations are invariably more genetically variable than more temperate hominids, including today.

The same rule applies more generally, that is, to almost all species—migration is always tropics to temperate to arctic, rarely the other way around (e.g. salamanders are the

exception: temperate to tropics)—it is Mexicans and people further south who are coming into the US, not Canadians and Eskimos. So Trump is erecting a barrier against Darlington's Rule—migration is always tropics outward. Africa is the center of the tropics in the entire globe. Before that it was part of Gondwanaland (Africa, South America, Antarctic) but it was the center of that super-continent, and therefore most tropical section, so Darlington's rule held back then, as we know from fossils.

BTW it is striking that there is strong evidence that selection from parasites has been increasing over the past 40,000 years with an acceleration of positive selection to a striking degree—before agriculture and animal husbandry which added further acceleration associated with orders of magnitude (5 0r 6) increases in density. There are "signatures" that genes show of recent strong positive selection, basically comparing neutral sites (change in DNA has no effect on structure of associated protein) with non-neutral sites and seeing if the latter evolve while the former show a random walk.

And what are the chief "selected variants"? **Parasite-resistant genes**.

Now these are automatically selected when density increases because parasites LOVE density--consider people packed in a room breathing on each other, or water-born parasites traveling quickly to others, or vector-borne parasites, e.g. malaria--if one in ten humans are sick but widely dispersed a mosquito biting the sick person rarely passes on the Plasmodium but if dense, every tenth person gives it to the mosquito who quickly passes it on

Likewise parasites like mobility--which increases density of contacts--so Haitians acquired HIV-1 because their middle class served as the middle class of emerging French-speaking African nations with high HIV, and they brought back the disease with them when they

returned (though of course not whatever HIV-resistant genes may have been selected among the Africans).

Divergent human populations often show very similar patterns of strong selection for genes though different in time--thus Europe and Yoruba-land showed similar peaks in parasite resistant selection, though 10,000 years ago in the former and 8500 in the latter

Incidentally very striking that cases of strong outbreeding, e.g between *sapiens* and *neanderthalensis* resulted in us acquiring ~3% of our genome from them, half were local-environment genes—fair skin, less hair on back, blue eyes and red hair on head—and half PARASITE-RESISTANT GENES (MHC genes).

Likewise interbreeding between 'us' and Denisovens in Tibet helped us acquire alleles uniquely suited for high altitude and, once again, resistance to local parasites.

Logic is obvious--if you are moving into Europe for the first time you are adapted to the parasites from which you came (malaria, yellow fever, dengue fever, this that and the third African disease) but not those in the area you are invading (smallpox, the plague)

3--Human genetic diversity declines as people move from Africa outwards--why? Serial founder effect. It is always a sub-group of the larger group that decides to go over the next mountain and colonize the valley. They can rapidly reconstitute numbers but not lost genetic diversity—repeated over and over you see a steady decline in genetic diversity from Africa to mid-East Europe Asia (Russia) and finally into arctic America and right down to southern America within ~1000 generations

Hence Amerindians highly vulnerable to invasion of Europeans + Africans, bringing in small-pox, the plague, malaria, dengue fever to which they were highly vulnerable. Ever see pictures of adult Indians with their entire outer skin peeling off as they died hideous deaths from smallpox? Did you know that part of the genocide was to pass out ‘smallpox

blankets' from infected English children to Indian mothers? It is estimated that ½ of all Indians were slaughtered and the other ½ killed by parasites.

And let us go back in time. Did the burst in cave art (40,000 years ago) have anything to do with sexual selection related to increase in density and parasites—or is art unrelated to music? BTW recent analysis based on $2^{nd}/4^{th}$ digit ratio suggests the possibility that the artists were females! Indeed for that matter what is the relationship between song, dance and intelligence? Especially in social interactions.

4. And what is special about Jewish intelligence? Surely it is that it emerged in a mercantile settings, natural home of numbers, logic and mathematics—itself the "gateway to knowledge", so huge disproportion of Nobel Prizes to go those of Jewish ancestry—half-Jews specially Bill Hamilton said to me in 1979 and I always regretted not saying to him "So where are the Jewish genes in you?"

BTW Ernst Mayr argued that the Jewish religion promoted intellectual reproduction, by encouraging the Rabbi to have the biggest family, while of course the Catholics emasculated their clergy

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Frankfurt Book Fair 2016
LitAg / Hall 6.3 - Tables 13A, 13B, 14A and 14B

John Brockman	Katinka Matson	Russell Weinberger	Max Brockman
[redacted]	[redacted]	[redacted]	[redacted]

BALANCE OF POWER
The Race Between State and Society
By Daron Acemoglu and James Robinson
[US — Penguin Press, UK — Viking, Germany — Fischer Verlag, Netherlands — Nieuw Amsterdam, Italy — Il Saggiatore, Spain — Duesto, Brazil — Intrinseca, Greece — Livanis, Korea — Sigongsa, Taiwan — Acropolis, Vietnam — Tre Publishing, Audio — Penguin RH; Proposal and sample chapter; 500 pages; Delivery: December 2018]

Balance of Power is the important, groundbreaking new book by Daron Acemoglu and James Robinson, authors of *Why Nations Fail*, a widely acclaimed international bestseller that has sold close to half a million copies in English, and hundreds of thousands in translations around the world.

"*Balance of Power*," Acemoglu and Robinson write, "develops an entirely original thesis about the diversity of the ways in which states function, resolve conflicts, provide public services and more broadly use their powers. It is the logical extension of a research agenda we have been developing together for twenty years, and we have a great deal to offer on this topic. We have demonstrated our ability not only to produce original, thought-provoking social science works but also to reach and explain our ideas to a broad audience."

DARON ACEMOGLU is the Elizabeth and James Killian Professor of Economics in the Department of Economics at the Massachusetts Institute of Technology. He was the recipient of the John Bates Clark Medal in 2005, awarded every two years to the best economist in the United States under the age of forty by the American Economic Association, and the Erwin Plein Nemmers prize, awarded every two years for work of lasting significance in economics. He holds Honorary Doctorates from the University of Utrecht, Bosporus University, and the University of Athens.

JAMES A. ROBINSON is an economist and political scientist who is currently one of eight University Professors at the University of Chicago and one of only twenty-one people who have held such a position. He has conducted research in Bolivia, Botswana, Chile, Colombia, the Democratic Republic of Congo, Haiti, Mauritius, Mexico, the Philippines, Sierra Leone, and South Africa. He was selected as one of *Foreign Policy*'s "Top Global Thinkers of 2012" and is a Fellow of the American Academy of Arts and Sciences.

THE JANUS POINT
A New Theory of Time's Arrows and The Big Bang
By Julian Barbour
[US — Basic Books, UK — Bodley Head; Proposal; 80,000 — 100,000 words; Delivery: November 2017]

"*The Janus Point*," writes Julian Barbour, visiting professor at the University of Oxford and author of *The End of Time*, "proposes a novel and remarkably simple solution to one of the most fundamental problems in physics and cosmology. It concerns the experienced direction of time: Why is the past so different from the present and the future? This difference is encapsulated in the expression the arrow of time. It is problematic because all the known laws of nature have exactly the same form, whatever direction, in which time is supposed to flow. The

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technical expression for this is time-reversal symmetry. This basic property seems to be entirely at odds with the pronounced unidirectionality of experienced time. In fact, there are several arrows.

"Until recent work by myself and my collaborators Tim Koslowski and Flavio Mercati, essentially only one proposal had been made–in well over a century–to explain why, despite the time-reversal symmetry of all the laws of nature, these pronounced arrows of time exist, and always have existed, throughout the observable universe. As I explain in *The Janus Point*, this sole explanation is a manifest stop gap and satisfies no serious scientist.

"This has been dubbed the past hypothesis. However, it is not in any sense an explanation that follows from the structure of the law and does not lead to any new prediction. It is an admission of defeat: Modern science fails to explain the most profound aspects of our existence.

"*The Janus Point* is clearly timely because it is about a set of very simple ideas and insights that have the potential to solve one of the deepest and longest-standing problems in physics. Everyone is interested in time and its numerous puzzling aspects. Proof of that is the success of my earlier book *The End of Time*, which is still selling more than sixteen years after its publication. Some of the ideas conjectured in that book are, in fact, realized in the model now proposed.

"For readers, *The Janus Point* tells the fascinating story of one of the greatest mysteries in science and what looks to be its unexpected and, in principle, remarkably simple solution. More than most books in popular science, its subject resonates profoundly with the reader. Nothing touches us more intimately than the drama of birth, life and death."

JULIAN BARBOUR, an independent researcher, is currently visiting professor at the University of Oxford. He has devoted significant time and effort to issues that lie at the foundations of science, above all the nature of time and motion. His first paper was published in *Nature* and attracted favorable editorial comment and most importantly led to six years of very valuable collaboration with the well-known Italian theorist Bruno Bertotti. It culminated in 1982 with a joint paper in the *Proceedings of the Royal Society of London*, which is now regarded as a seminal paper on the interconnection of local dynamics with the universe at large. Barbour made a big impact in the physics community with the publication of his book, *The End of Time*, in which, according to physicist Lee Smolin, he presented "a new theory of time that is the most interesting and provocative new idea about time to be proposed in many years."

AMERICAN KINGPIN
The Epic Hunt for the Criminal Mastermind Behind the Silk Road
By Nick Bilton
[US — Portfolio, UK — Virgin Books, Audio — Penguin RH; Manuscript; 304 pages; Publication: May 2017]

From *New York Times*-bestselling author Nick Bilton comes a true-life thriller about the rise and fall of Ross Ulbricht, aka the Dread Pirate Roberts, the founder of the online black market Silk Road.

In *American Kingpin* Bilton turns his investigative journalism to the story of Ross Ulbricht, the notorious and enigmatic founder of a drug empire called Silk Road. This is a true-life thriller about ambition gone awry, spurred on by the defining clash of our time: the new world of libertarian-leaning, anonymous, decentralized web advocates and the old world of government control, order, and the rule of law. Bilton's dazzling rendering and gift for narrative make for an endlessly fascinating drama.

In 2011, Ulbricht, a twenty-six-year-old libertarian idealist and former Boy Scout, launched "a website where people could buy anything anonymously, with no trail whatsoever that could lead back to them." He called it Silk Road, opened for business on the Dark Web, and christened himself the Dread Pirate Roberts (after the

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Princess Bride character). The site grew at a tremendous pace, quickly becoming a $1.2 billion enterprise where you could buy or sell drugs, hacking software, forged passports, counterfeit cash, guns, grenades, and poisons.

The Silk Road soon caught the attention of the Feds, who embarked on an epic two-year manhunt for the site's proprietor. Ulbricht, in the meantime, struggled to maintain control of his double life and his marketplace, which he originally started to prove that legalizing drugs could make society safer. He gradually abandoned his libertarian ideals to rule Silk Road with increasingly authoritarian force. At one point, he engaged the services of hired hit men to take out employees he felt had wronged him. Soon, some of the Federal agents who were supposed to be hunting for Ulbricht were lured into the dark world and switched sides to join him.

NICK BILTON is a special correspondent for *Vanity Fair*, where he writes about technology, business, and culture, and a contributor at CNBC. He is the bestselling author of *Hatching Twitter: A True Story of Money, Power, Friendship, and Betrayal* (*The Wall Street Journal* Reader's Choice "Best Book of 2013"), which has been optioned by Lionsgate and is currently being turned into a television series. He was a columnist for the *New York Times* for almost a decade.

YOUR BRAIN IS A TIME MACHINE
The Neuroscience and Physics of Time
By Dean Buonomano
[World English — W. W. Norton, China— Huazhang, Audio — Audible; Manuscript; Pub Date: April 2017; 304 pages]

Pioneering neuroscientist Dean Buonomano examines how the brain tells time, predicts the future, and understands the past in a book that straddles the fields of physics, psychology and neuroscience.

Few questions are as perplexing and profound as those that relate to time. Philosophers ponder what time is. Physicists grapple with why time appears to be a one-way street, and debate whether it is a single lonely point or a full-blown dimension. Neuroscientists and psychologists struggle to understand what it means to "feel" the passage of time and how the brain tells it. Time is also key to the question of free will: is the future an open path, or is it preordained by the past?

The brain, argues Buonomano, is at its core a time machine. It is the brain's ability to anticipate the actions of prey, predators, and mates, and to predict when events will occur in a dynamically changing world, that ultimately translate into the evolutionary currency of survival and reproduction.

The ability of animals to predict the future culminated with Homo sapiens' capacity to grasp the concept of time. Only then were we able to craft a blade for future use, or plant a seed to quench projected hunger.

Your Brain is a Time Machine explains that, in the end, our intuitions and theories about time reveal as much about the architecture and limitations of our brains as they do about the true nature of time.

DEAN BUONOMANO is a professor in the Departments of Neurobiology and Psychology at UCLA, and an investigator in the Integrative Center for Learning and Memory. He is the author of *Brain Bugs: How the Brain's Flaws Shape Our Lives*, which was a *Wall Street Journal* bestseller, and his research has been highlighted in many national and international magazines and newspapers, including *Discover*, *Newsweek*, *Scientific American*, *Zeit*, *Cosmos*, *Hörzu Wissen*, and the *New Yorker*.

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SCIENCE IN THE SOUL
Selected Shorter Writings
By Richard Dawkins, Edited by Gillian Somerscales
[UK — Transworld; Manuscript; Pub Date: June 2017; 110,000 words]

A new book from Richard Dawkins, internationally bestselling author and one of the greatest scientists of our age. As much as his full length books such as *The Selfish Gene, The Blind Watchmaker,* and *The God Delusion,* have changed our perceptions of both science and the world it opens, his essays and articles are potent, pithy, thought provoking and revealing windows into the world as he, himself, perceives it. *Science in the Soul* is a collection of some of Dawkins' best writing: articles and lectures, reflections and polemics, reviews, forewords, tributes or eulogies, both published and unpublished.

From the introduction, by Gillian Somerscales: "Richard Dawkins has always defied categorization. One eminent biologist of mathematical bent reviewing *The Selfish Gene* and *The Extended Phenotype* was startled to find a scientific work apparently free of logical errors and yet containing not a single line of mathematics; he could come to no other conclusion than that, incomprehensible as it seemed to him, 'Dawkins . . . apparently thinks in prose.'

"If readers of what follows here come to appreciate not only the writer's clarity of thought and facility of expression, the fearlessness with which he confronts very large elephants in very small rooms, the energy with which he devotes himself to explication of the complex and the beautiful in science, but also some of the generosity, kindness and courtesy that have characterized all my dealings with Richard over the years since that first collaboration, then the present volume will have achieved one of its aims.

"It will have achieved another if it embodies a condition felicitously described in one of the essays reproduced here, where 'harmonious parts flourish in the presence of each other, and the illusion of a harmonious whole emerges.' Indeed, it is my belief that the harmony resounding from this collection is no illusion, but the echo of one of the most vibrant, and vital, voices of our times."

RICHARD DAWKINS is the former Charles Simonyi Professor For The Understanding Of Science at Oxford University; Fellow of New College; author of *The Selfish Gene, The Extended Phenotype, The Blind Watchmaker, River out of Eden* (ScienceMasters Series), *Climbing Mount Improbable, Unweaving the Rainbow, The Devil's Chaplain, The Ancestor's Tale, The God Delusion, The Greatest Show on Earth* and *The Magic of Reality.* He is founder of The Richard Dawkins Foundation for Reason and Science.

FROM BACTERIA TO BACH AND BACK
The Evolution of Minds
By Daniel C. Dennett
[US — W. W. Norton, UK — Penguin UK, Italy — Raffaello Cortina Editore, Holland — Atlas Contact, China — Cheers, Audio — Recorded Books; Manuscript; Pub Date: February 2017; 448 pages]

One of the world's foremost philosophers offers a major new account of the origins of the conscious mind.

What is human consciousness and how is it possible? This question fascinates people from poets and painters to physicists, psychologists, and philosophers. *From Bacteria to Bach and Back* is Daniel C. Dennett's brilliant answer, extending perspectives from his earlier work in surprising directions, exploring the deep interactions of evolution, brains, and human culture.

Part philosophical whodunit, part bold scientific conjecture, this landmark work enlarges themes that have sustained Dennett's legendary career at the forefront of philosophical thought. In his inimitable style—laced

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with wit and arresting thought experiments—Dennett shows how culture enables reflection by installing a bounty of thinking tools, or memes, in our brains. Language, itself composed of memes, turbocharged this interplay. The result, a mind that can comprehend the questions it poses, emerges from a process of cultural evolution.

An agenda-setting book for a new generation of philosophers and other researchers, *From Bacteria to Bach* and Back will delight and entertain anyone who hopes to understand human creativity in all its wondrous applications.

DANIEL C. DENNETT is the author of *Intuition Pumps*, *Breaking the Spell*, *Freedom Evolves*, and *Consciousness Explained*. He is the University Professor and Austin B. Fletcher Professor of Philosophy, and co-director of the Center for Cognitive Studies at Tufts University.

A CRACK IN CREATION
Gene Editing and the Unthinkable Power to Control Evolution
By Jennifer A. Doudna and Samuel H. Sternberg
[US — Houghton Mifflin, UK — Bodley Head, China — Hunan Science, Audio — Audible; Manuscript; Pub Date: June 2017; 320 pages]

In the tradition of *The Double Helix*, *A Crack in Creation* is an insider's account of the biggest scientific discovery of our era: a cheap, easy way of rewriting genetic code, with nearly limitless promise and peril.

Not since the atomic bomb has a technology so alarmed its inventors that they warned the world against its use. Not, that is, until the spring of 2015, when biologist Jennifer Doudna called for a worldwide moratorium on the use of the new gene-editing tool CRISPR to make heritable changes in human embryos. The cheapest, simplest, most effective way of manipulating DNA ever known, CRISPR may well give us the cure to HIV, genetic diseases, and some cancers, and will help address the world's hunger crisis. Yet even the tiniest changes to DNA could have myriad, unforeseeable consequences—to say nothing of the ethical and societal repercussions of intentionally mutating embryos to create "better" humans.

Writing with fellow researcher Samuel Sternberg, Doudna shares the thrilling story of her discovery, and passionately argues that enormous responsibility comes with the ability to rewrite the code of life. With CRISPR, she shows, we have effectively taken control of evolution. What will we do with this unfathomable power?

JENNIFER A. DOUDNA is a professor in the Chemistry and the Molecular and Cell Biology Departments at the University of California, Berkeley, investigator with the Howard Hughes Medical Institute, and researcher in the Physical Biosciences Division at the Lawrence Berkeley National Laboratory. She is internationally recognized as a leading expert on RNA-protein structure and function, CRISPR biology, and genome engineering.

SAMUEL H. STERNBERG received his PhD from the University of California, Berkeley, in 2014, and has been a member of Jennifer Doudna's laboratory since 2010. He was a lead researcher and author of numerous high-profile publications on the CRISPR technology. He has been awarded the RNA Society's Scaringe Award and the Fred Hutchinson Cancer Research Center's Harold M. Weintraub Graduate Student Award, among other honors.

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ENDURANCE
A Natural History of Exercise and Health
By Daniel Lieberman
[Proposal; Delivery: April 2019; 120,000 words]

Endurance is the new book from Daniel Lieberman, Chair of the Department of Human Evolutionary Biology at Harvard, and author of *The Story of the Human Body*, a *New York Times* bestseller. Lieberman is well known for his unique and unusually integrative approach to research, which combines paleontology, anatomy, physiology and experimental biomechanics.

"*Endurance*," Lieberman writes, "argues that we need to rethink how we think about exercise using the dual lenses of anthropology and evolutionary biology. As the modern word 'exercise' itself implies, people today generally think of physical activity as a pastime or a form of medicine. Most of us spend the majority of the day sitting and then we briefly exercise in our spare time, sometimes for fun, but increasingly to ward off ill health. Yet, until very recently, physical activity was a paradoxically fundamental part of being human: utterly necessary but instinctively avoided. Put simply, we evolved to be reluctant endurance athletes.

"This legacy underlies and points to urgently needed solutions for today's exercise dilemma. Everyone knows that exercise is vital for good health, yet the vast majority of Americans and others in the developed world are unable to exercise enough. Our species endured because we had no choice but to be athletes, and if we wish our health to endure as individuals, then we still need to make exercise indispensable today. Rather than thinking of exercise as a 'magic pill' for good health, it is the absence of physical activity, primarily endurance exercise, that accelerates aging and hastens death. *Endurance* points to a new way of understanding and solving this global problem.

"*Endurance* is the product of a long journey, part intellectual, part physical. Over the last decade I have traversed the globe to observe, often as a participant, how humans are physically active in different traditional cultures from Africa to Greenland to India. Among other experiences, I've run barefoot and carried water on my head in Kenya, tracked muskoxen and kudu with indigenous hunters in Greenland and Tanzania, participated in the ancient Tarahumara ballgame under the stars in Mexico, dug millet fields in Rwanda, played barefoot cricket in rural India, and raced on foot against horses in the mountains of Arizona. Back in my lab at Harvard, my students and I have intensively studied the evolution, biomechanics and physiology of key human physical activities, including how we walk, run, throw, dig, climb and even chew.

"*Endurance* weaves together these experiences, perspectives and insights into the form of a highly personal natural history of first rest, then strength, and finally endurance."

DANIEL LIEBERMAN is a professor and chair of the Department of Human Evolutionary Biology at Harvard. A leader in the field of human evolutionary biology, Lieberman's research asks how and why evolution made the human body the way it is. He is the author of *The Story of the Human Body* (Pantheon, 2013) and has been published in such journals as *Nature*, *Science*, and *The Proceedings of the National Academy of Science*, among others. Lieberman has been interviewed by PBS, The History Channel, NPR, BBC, Horizon, and elsewhere. His research and discoveries have been highlighted in the *New York Times*, *Discover*, *National Geographic*, *Runners World*, *Running Times*, and numerous other journals and newspapers.

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IMPROBABLE DESTINIES
Predicting the Future of Evolution
By Jonathan Losos
[US — Riverhead, UK — Allen Lane, German — Hanser, Audio — Penguin RH; Manuscript; Pub Date: June 2017; 110,000 words]

Evolutionary biologist and Harvard professor Jonathan Losos is widely known for his unique approach to studying evolution in realtime and using experimental means. As E.O. Wilson writes, Losos is a "world leader in research and theory of the overlapping fields of herpetology, biodiversity, and species formation."

"In the last few years," Losos writes, "evolutionary biologists have come to realize that evolution can occur much more rapidly than Darwin and a century of subsequent biologists ever expected—fast enough, in fact, to observe as it occurs, even during the span of a single research grant! Now that we know that evolution can proceed rapidly, experimental studies in natural systems have begun."

Losos' work on lizards has been at the forefront of the experimental evolution movement. Using small Bahamian islands as test tubes, he and his team have altered conditions and made predictions about how populations should evolve in response. And the results are resoundingly consistent: evolution is extremely predictable.

Improbable Destinies is not only about what we know about evolution, but how we know what we know. Not just the technology and theories of science, but where the ideas come from—how researchers think them up, how they are honed by experiences in the field, and how much of science is the serendipitous juxtaposition of disparate ideas brought together by unexpected observations.

JONATHAN LOSOS is the Monique and Philip Lehner Professor for the Study of Latin America and professor of organismic and evolutionary biology at Harvard University. He is the recipient of a number of awards, including the Theodosius Dobzhansky Prize from the Society for the Study of Evolution and the David Starr Jordan Prize from the American Society of Naturalists.

DISEMPOWERED
(working title)
By Greg Lukianoff and Jonathan Haidt
[Proposal; Delivery: 9-12 months from signing contract; 60,000 — 80,000 words]

Disempowered is an expansion to book-length of the cover story by Greg Lukianoff and Jonathan Haidt that appeared in the September 2015 issue of *The Atlantic*: "The Coddling of The American Mind" (CAM).

It became the *Atlantic*'s second most-read cover story of all time and has been referenced in hundreds of articles in a wide variety of publications, including the *New York Times*, the *Washington Post*, *National Review*, *Newsweek*, *Los Angeles Times*, *Bloomberg*, the *Guardian*, *The Korea Herald*, and the *Irish Times*; and it even drew the attention of President Obama.

"A full-length book is necessary for several reasons," writes Lukianoff. "First, even with the article's generous word limit, we could not present the full scope of the intersection of harmful psychological theories and political correctness. We could only do a cursory explanation of the new reality on campus and how terms like 'trigger warnings,' 'microaggressions,' and 'disinvitations' suddenly rose from obscurity to become part of higher education's and the nation's vocabulary. A full-length book allows us to cover a host of new hot topics, including so-called 'safe spaces' and how a warped idea of safety is used to justify campus censorship, as well as campus 'bias response teams' (BRTs)—Orwellian programs that police the language students use in their private lives

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and professors use in the classroom. It is worth noting that this past spring a professor was actually investigated by one of these BRTs for assigning CAM as class reading!

"Second, since the article was published, the situation on campus has only worsened. Within a few months after the article's release, student demands for censorship had broken out across the country.

"Third, and possibly most importantly, we want to reactivate and deepen the discussion that we started in CAM about the science of cognitive behavioral therapy (CBT) as a useful lens for looking at any number of modern problems. CBT is a remarkably simple, successful treatment that helps patients overcome their anxiety and depression by teaching them how to identify and combat 'cognitive distortions,' the wild mental exaggerations in which the anxious and depressed overindulge. To our knowledge, CAM was the first and only major article to propose that we should not only use CBT to examine our own inner thoughts, but also the world around us.

"The issue of free speech on campus is extremely hot, and will continue to be for years to come, but virtually no one besides us is offering a solution that gets to the heart of the problem and can actually help students rather than simply ridiculing them.

"Regarding the market, when CAM came out, it seemed that this was a uniquely American problem. But just in the last year, it has spread throughout the UK, and is beginning to appear in Australia. In fact, there has been major interest in CAM in the UK and European countries. In Europe, I was recently interviewed by *Süddeutsche Zeitung*, Germany's biggest daily newspaper, and *Frankfurter Allgemeine Zeitung* also ran a major article. When I recently spoke in Denmark, the president of the University of Oslo chastised me for not knowing that all the students had read CAM and had been discussing it all year. "

GREG LUKIANOFF is an attorney and the president and CEO of the Foundation for Individual Rights in Education (FIRE). He is the author of *Unlearning Liberty: Campus Censorship and the End of American Debate and Freedom From Speech*. He has been published in the *Wall Street Journal*, the *Washington Post*, the *New York Times*, the *Los Angeles Times*, *TIME*, the *Boston Globe*, *Forbes*, *U.S. News & World Report*, the *Stanford Technology Law Review*, the *Chronicle of Higher Education*, and numerous other publications.

JONATHAN HAIDT, a social psychologist, is the Thomas Cooley Professor of Ethical Leadership at New York University's Stern School of Business. His academic specialization is morality and the moral emotions. Haidt is the author of two books: *The Happiness Hypothesis* (2006) and *The Righteous Mind: Why Good People are Divided by Politics and Religion* (2012), which became a *New York Times* bestseller. He was named one of the "top global thinkers" by *Foreign Policy* magazine, and one of the "top world thinkers" by *Prospect* magazine. His three TED talks have been viewed more than 4 million times. He is the founder of HeterodoxAcademy.org, a collaboration of professors who advocate for increasing viewpoint diversity in universities throughout the English-speaking world.

VIGILANCE
Who We Trust, What We Believe, and Why
(working title)
by Hugo Mercier
[Proposal; Delivery: 18 months from signed contract; 100,000 words]

"What leads voters to support policies and politicians that make them worse off?" writes cognitive scientist Hugo Mercier. "How could terrorists believe that blowing themselves up will lead to an eternity of bliss? Why do Dalits—untouchables—endorse a worldview that confines them to the lower echelons of society? Why do crowd members drive each other into rampaging fury? The common wisdom in psychology and in the social

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sciences: people are easy to influence, they are too trusting, and they tend to place their trust in the wrong people. This is the answer of most social psychologists.

"They take the famous Asch conformity experiments, in which participants believe a group over the evidence of their own eyes; and Milgram obedience experiments, in which participants agree to electrocute one another at the experimenter's request to show that people are sheep.

"Psychologist Daniel Gilbert, a strong proponent of the view that humans are gullible, has even claimed that people couldn't help but believe (at first at least) everything they read! Tim Levine, a leading researcher working on lie detection, thinks that people rely on others to be trustworthy most of the time, and that as a result they can afford to be so bad at detecting deception. Paul Ekman, the famous emotion researcher, claims that when we see someone express an emotion, we can't help but mimic it. No surprise then that crowds and their emotional members drive each other mad! Robert Boyd, Peter Richerson, and Joseph Henrich, proponents of the dominant mode of cultural evolution, postulate that people are easily influenced by prestigious individuals —wherever their prestige comes from—and consensual opinions—whatever their value.

"This is also the answer of dominant figures in anthropology and sociology, explaining the persistence of culture by our tendency to suck in whatever ideas surround us without a second thought; in political science since the ancient Greeks, explaining the success of demagogues by how easily people follow charismatic leaders, even toxic ones; and in much social commentary, consider *Manufacturing Consent* by Edward Herman and Noam Chomsky as an example.

"In *Vigilance*, I argue that they are wrong."

HUGO MERCIER is a cognitive scientist working for the French National Center for Scientific Research in Lyon. Previously, he did a postdoc in the Philosophy, Politics and Economics program at the University of Pennsylvania, and another one at the University of Neuchâtel. He has published numerous scholarly articles on the topic of the book, and has taught some of its contents in Europe and America. He has also made his work more widely accessible through newspaper articles, blog posts, interviews, and public lectures. *The Enigma of Reason*, a co-authored book with Dan Sperber concerning their research on "The Argumentative Theory of Reasoning," is scheduled for publication in late May (US: Harvard University Press; UK: Allen Lane), with several planned translations.

GENETIC RESCUE
Saving Wildlife the Way Evolution Does
By Ryan Phelan, Introduction & Epilogue by Stewart Brand
[Proposal; Delivery: 12-18 months from signed contract; 70,000 — 80,000 words]

Genetic Rescue is "the first book to present a critically important and new scientific field emerging through the synthesis of molecular biology and conservation biology. At the heart of this intersection is the development of a new tool kit for 21st Century conservation. Advances in comparative genomics, cloning, germ cell transmission, ancient genome assembly, de-extinction, synthetic DNA, and genome engineering with CRISPR and gene drives are now being applied to help solve seemingly intractable conservation problems."

Genetic Rescue makes the compelling case for human intervention in situations where the natural evolutionary process is compromised. It is replete with specific examples of wildlife on the brink (from the black-footed ferret to the northern white rhino) and the impact of wildlife diseases (amphibians with Chytrid disease and bats with white-nose syndrome)."

"*Genetic Rescue* also presents a provocative new vision for conservation—the development of a 21st Century

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tool kit that can help prevent extinction. And more importantly, it helps frame the issues that need to be thoughtfully considered before these new technologies can be responsibly deployed. It is the first book written on this subject, and more importantly, it is written by an insider who is helping shape and define the field for conservation."

RYAN PHELAN is the Executive Director of "Revive & Restore", whose mission is to increase biodiversity—specifically through genetic rescue, helping species that are either on the brink or are already extinct. The Introduction and the Epilogue are by cultural icon Stewart Brand, creator of *The Whole Earth Catlog*, and author of *The Media Lab*, *How Buildings Learn*, and *Whole Earth Discipline* among many other landmark books and projects. Brand is cofounder of "Revive And Restore" and founder of the parent organization, "The Long Now Foundation".

THE EVOLUTION OF BEAUTY
How Darwin's Forgotten Theory of Mate Choice Shapes the Animal World — and Us
By Richard O. Prum
[US — Doubleday, Audio — Penguin RH; Manuscript; Pub Date: May 2017; 480 pages]

A major reimagining of how evolutionary forces work, revealing how mating preferences—what Darwin termed "the taste for the beautiful"—create the extraordinary range of ornament in the animal world.

In the great halls of science, dogma holds that Darwin's theory of natural selection explains every branch on the tree of life: which species thrive, which wither away to extinction, and what features each evolves. But can adaptation by natural selection really account for everything we see in nature?

Yale University ornithologist Richard Prum—reviving Darwin's own views—thinks not. Deep in tropical jungles around the world are birds with a dizzying array of appearances and mating displays: Club-winged Manakins who sing with their wings, Great Argus Pheasants who dazzle prospective mates with a four-foot-wide cone of feathers covered in golden 3D spheres, Red-capped Manakins who moonwalk. In thirty years of fieldwork, Prum has seen numerous display traits that seem disconnected from, if not outright contrary to, selection for individual survival. To explain this, he dusts off Darwin's long-neglected theory of sexual selection in which the act of choosing a mate for purely aesthetic reasons—for the mere pleasure of it—is an independent engine of evolutionary change.

Mate choice can drive ornamental traits from the constraints of adaptive evolution, allowing them to grow ever more elaborate. It also sets the stakes for sexual conflict, in which the sexual autonomy of the female evolves in response to male sexual control. Most crucially, this framework provides important insights into the evolution of human sexuality, particularly the ways in which female preferences have changed male bodies, and even maleness itself, through evolutionary time.

The Evolution of Beauty presents a unique scientific vision for how nature's splendor contributes to a more complete understanding of evolution and of ourselves.

RICHARD O. PRUM is the William Robertson Coe Professor of Ornithology at Yale University. A lifelong bird fanatic, Prum has published more than 100 scientific articles on diverse topics including the evolution, behavior, song, anatomy, developmental biology, phylogenetics, paleontology, optical physics, and pigmentary chemistry of birds. He has made ground-breaking scientific contributions to our understanding the evolutionary origin of feathers, the physics of structural coloration, dinosaur feathers, fossil coloration, and the phylogenetic evolution of behavior. Over the past thirty years, Prum has developed a unique scientific perspective on evolution, and he has documented this view with major scientific discoveries.

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THE INTERACTIVE BRAIN
(working title)
By V.S. Ramachandran
[US — Penguin Press, Audio — Penguin RH; Proposal; Delivery: 24 months from signed contract; 60,000 — 70,000 words]

A new book by neuroscientist V.S. Ramachandran, author most recently of *The Tell-Tale Brain*.

"*The Interactive Brain*," writes Ramachandran, "is a tour of some of the most cherished yet elusive qualities of our minds. The book argues that recent advances in neurosciences have contributed to a revolutionary new model of the brain, in which brain function is controlled, not by highly specialized, hierarchical modules, mainly hard-wired, as once thought, but rather by highly interactive modules that can shift their roles in a matter of days or even hours The implications are not merely theoretical but have practical applications in medicine, offering solutions for everyone from stroke patients to those with obsessive compulsive disorder.

"There are many neurological syndromes I'll discuss throughout the book. For example, a patient who was otherwise smart and level-headed but kept insisting that his reflection in the mirror was the 'real David,' and that the David viewing the mirror was a clone. He wiped off a tear from his eye and asked 'Dad, if the real David returns will you disown me?' Even the axiomatic foundation of our selfhood—the notion that I'm a single person in one body—is called into question when we encounter patients like him.

"Not only can we change our own brains, but we can change the brains of others because of the implications of mirror neurons. *The Interactive Brain* incorporates case studies, such as David's, and my own research on topics ranging through Capgras Syndrome, chronic pain, calendar synesthesia, gender incongruity, mirror visual feedback, and obsessive-compulsive disorder, the majority of which I have not considered in detail in my previous books.

"I conclude by visiting some of the most prized but elusive aspects of our minds considered unapproachable by science, such as math, music, and metaphor, and suggest that these quintessentially human abilities are best elucidated by combining an evolutionary approach with old-fashioned neurology."

V.S. RAMACHANDRAN is the director of the Center for Brain and Cognition and a professor with the Psychology Department and Neurosciences Program at the University of California, San Diego. He is author of *Phantoms in the Brain*, which has been translated into fourteen languages and formed the basis of a two part series on Channel Four TV (UK) and a 1 hour PBS special in the USA, and more recently *The Tell-Tale Brain* which was a *New York Times* best-seller.

BEHAVE
The Biology of Humans at Our Best and Worst
By Robert M. Sapolsky
[US — Penguin Press, UK — Bodley Head, Germany — Hanser, Holland — Ambo/Anthos, Brazil — Companhia Das Letras, Korea — Munhakdogne, Israel — Kinneret, Audio — Penguin RH; Manuscript; 496 pages; Publication: April 2017]

> "Robert Sapolsky is one of the best scientist-writers of our time, able to deal with the weightiest topics both authoritatively and wittily, with so light a touch they become accessible to all."
>
> —Oliver Sacks, M.D.

The first major book from celebrated Stanford neurobiologist and author Robert Sapolsky in over a decade, *Behave* answers the most basic question about human behavior: "What made you do that?" Substitute "me" or

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"us" or "they" and it's a question asked millions of times a day in all the languages of the world in response to all manner of human behavior, good and bad.

What brings out the best in us? What brings out the worst? For every complex problem, there's a solution that's simple, appealing, and wrong, H. L. Mencken famously said, and there are certainly many simple and wrong answers to this most important of questions, the question at the root of the way we parent, the way we educate, the way we manage, and the way we punish. The simple yet correct response, of course, is that it's complicated. The longer answer? For that, the great neuroscientist and primatologist Robert Sapolsky needed ten years, and this book.

Behave is an epic achievement. In order to make sense of all the sources that conspire to affect human behavior, it begins in the very moment of action, when we commit the decisive deed in question. What is happening in our brain and body at the very moment, and in the minutes that preceded it? The book then pulls back to look how the behavior is conditioned by what the body is exposed to in the days, weeks and months leading up to that behavior. It then goes back to childhood and adolescence, at how the bending of the bough effects how the tree grows. And so on, from neurobiology, endocrinology and the interaction of our senses with the environment to a lifetime's most primal shaping influences, and from there back to our genetic makeup and the very sticky wicket of how genes and environment interact (and how they don't). Finally, Sapolsky expands the view to take in factors that push us past any single person's inheritance and experience: namely culture, in the present tense and back hundreds, even thousands of years, and then back millions of years, to the first humans and the evolution of behavior.

The result is surely among the most dazzling tours d 'horizon of the science of human behavior ever attempted, a majestic synthesis of cutting-edge research, some of it the author's own, across a range of disciplines to provide a subtle and necessary reckoning with the roots of our most troubling and inspiring behaviors, relating to racism, tribalism, and xenophobia; tolerance and altruism; hierarchy and competition; morality and free will; and war and peace. Wise, learned, funny, and fearless, *Behave* is a great scientist's towering achievement, a book that takes both the angel and the devil off of our shoulders and into our hands.

ROBERT SAPOLSKY is the John A. and Cynthia Fry Gunn Professor at Stanford University, holding joint appointments in several departments, including Biological Sciences, Neurology & Neurological Sciences, and Neurosurgery. He is the author of more than 400 technical papers published in biomedical journals. He also writes extensively for non-scientists in magazines such as *Discover*, *Natural History* and the *New Yorker*. Sapolsky's books include *Why Zebras Don't Get Ulcers, A Primate's Memoir, The Trouble With Testosterone,* and *Monkeyluv*.

TAMING INFINITY
The Surprising Story of Calculus and the Geniuses Behind It
(working title)
By Steven Strogatz
[US — Eamon Dolan Books; Proposal; 80,000 words; Delivery: Spring 2018]

A fascinating new book from Steven Strogatz, award-winning mathematician and author, who brings the story of calculus to life in a single narrative that spans continents, centuries, and disciplines to a dramatic climax.

Writes Strogatz, "The quest to tame infinity, and to harness it toward our ends, is a narrative that runs through the whole 2,500-year story of calculus. Yet this saga is an untold story, as far as today's general audience is concerned. *Taming Infinity* will tell it for the first time.

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"Calculus is one of the greatest ideas that anyone has ever had and certainly the greatest idea in all of mathematics. The scientific and technological importance of calculus is one reason why we require all budding scientists and engineers to learn the subject. *Taming Infinity* is the human side of calculus: the gripping story of how it was discovered, and lost, and then rediscovered a thousand years later, or how it perplexed many of the geniuses who struggled to invent it, and in a few tragic cases, drove them insane. In a very real sense, this humanistic side of calculus is just as fascinating and important as its scientific side as it, too, has changed the world.

"Central to the story is the mathematicians' quest to tame infinity, which begins with the philosopher Zeno of Elea (about 450 BC, before Socrates) who raised paradoxes about infinity, continuity, time, space, and motion that confounded his contemporaries and provoked no less than Aristotle to banish infinity from Greek philosophy and mathematics from then on. Fast-forward more than 2,500 years, and we're still wrestling with infinity and the paradoxes it raises. In between, the inventors of calculus, starting with Archimedes around 250 BC and culminating with Newton and Leibniz in the mid-1600s, tried to domesticate infinity to make what we now regard as integral and differential calculus. And to a large extent, they succeeded. The carefully controlled use of infinity is the secret to calculus, the source of its enormous predictive power.

"But like Frankenstein's monster or the golem in Jewish folklore, infinity was never quite under control. As in any tale of hubris, the monster inevitably turned on its creator. Soon after the work of Newton and Leibniz, disturbing paradoxes emerged in the 1700s and early 1800s. Calculations came out wrong. Calculus seemed unreliable. These difficulties provoked another wave of philosophical and logical handwringing, much as Zeno's had two millennia earlier. These conundrums were resolved over the next century by the mathematicians who called themselves 'analysts.' The name was apt. They put calculus on the couch, and probed it, trying to root out every last trace of pathology. They succeeded for calculus, but not for infinity itself. There the pathology ran deeper. The riddles of infinity are still challenging logicians, mathematicians, and philosophers today."

STEVEN STROGATZ is the Jacob Gould Schurman Professor of Applied Mathematics at Cornell University. He is the bestselling author of *The Joy Of X, The Calculus Of Friendship*, and *Sync*. His research has been featured in *Nature*, *Science*, *Scientific American,* the *New York Times,* the *New Yorker*, and broadcast on BBC Radio, National Public Radio, CBS News, among others. In 2010, he wrote a 15-part series about the elements of math for the *New York Times*, and a second series, Me, Myself and Math, appeared in 2012. Strogatz has spoken at TED and the Aspen Ideas Festival and has been a frequent guest on *Radiolab* and *Science Friday*. He has received numerous awards for his research, teaching, and public communication, including, most recently, the Lewis Thomas Prize for Writing about Science (2015).

THE POWER OF HUMAN
By Adam Waytz
[US — W.W. Norton; Proposal; 70,000 words; Delivery: February 2018]

Adam Waytz is a rising star in the Kellogg School of Management at Northwestern University, whose research uses methods from social psychology and cognitive neuroscience to study how people think about minds. Waytz is the first person to receive twice the Theoretical Innovation Prize from the Society for Personality and Social Psychology. He is also the winner of the SAGE Young Scholar Award and the International Social Cognition Network's Early Career Award.

Waytz writes: "Everyday life is increasingly human-free. Robotic technology has begun replacing human jobs and will replace millions more over the next five years. In domains such as manufacturing and agriculture, robotic employees are already a reality. Tasks like getting directions from another human or consulting with a bank teller to deposit money have become obsolete. These advances contribute to well-documented declines in social interaction. Not only has interaction with human beings diminished, but existing human interaction has

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declined in quality. People feel less trusting of others than in previous decades, face-to-face communication is less frequent, and people's social networks have become more fragmented, producing smaller social clusters rather than expansive, civic community groups. Empathy with other humans, considering others' wants, feelings, needs, and motivations (the essence of what makes us human), has diminished considerably. Rises in income inequality and political polarization also mean that our diversity of social experiences—encountering people unlike 'us'—is diminishing as well, enabling little consideration of humans dissimilar to ourselves.

"*The Power of Human* represents a call to action. This book details the psychological cost of losing our humanity and elucidates scientifically supported strategies to counteract this trend, many of which are already underway. Although scholars have bemoaned declines in social interaction, their concerns often erroneously center on people's deteriorating social skills, communication abilities, and intelligence (for which evidence is decidedly mixed). Meanwhile, the real costs of this decline on moral behavior, employee productivity, mobilizing social movements, and finding meaning in life have gone overlooked. This book elucidates how we often overlook how psychologically powerful humans are, and provides strategies to rejuvenate efforts to recognize others' humanity.

"*The Power of Human* is unique in providing solutions to this problem that will help businesses retain customers and employees, help charities raise more money, help people experience greater significance from simple everyday activities, help technologists design better robots, help reduce conflict between different political and religious sects, and increase happiness in relationships with friends and spouses."

ADAM WAYTZ is an associate professor of management and organizations in the Kellogg School of Management at Northwestern University. His research has been published in leading journals such as *Proceedings of the National Academy of Sciences*, *Journal of Personality and Social Psychology*, and *Psychological Review*. Waytz received the 2008 and 2013 Theoretical Innovation Award from the Society for Personality and Social Psychology, the SAGE Foundation Young Scholar Award, and the International Social Cognition Network's Early Career Award. In 2015, Poets and Quants named him one of the "Best 40 Business School Professors Under the Age of 40." He has written articles for the *New York Times*, the *Boston Globe*, *Wall Street Journal*, *Harvard Business Review*, *Scientific American*, and *Slate*.

SCALE
The Search for Simplicity and Unity in the Complexity of Life, from Cells to Cities, Companies to Ecosystems, Milliseconds to Millennia
By Geoffrey West
[US — Penguin Press, UK — Weidenfeld & Nicolson, Holland — Het Spectrum, Finland — Terra Cognita, Brazil — Das Letras; Japan — Hayakawa; Korea — Gimm Young; Taiwan — Locus; China — CITIC; Russia — Atticus; Audio — Penguin RH; Manuscript; 400 pages; Publication: May 2017]

The former head of the Sante Fe Institute, visionary physicist Geoffrey West is a pioneer in the field of complexity science, the science of emergent systems and networks. The term "complexity" can be misleading, however, because what makes West's discoveries so beautiful is that he has found an underlying simplicity that unites the seemingly complex and diverse phenomena of living systems, including our bodies, our cities and our businesses.

Fascinated by issues of aging and mortality, West applied the rigor of a physicist to the biological question of why we live as long as we do and no longer. The result was astonishing and changed science, creating a new understanding of energy use and metabolism: West found that despite the riotous diversity in the sizes of mammals, they are all, to a large degree, scaled versions of each other. If you know the size of a mammal, you can use scaling laws to learn everything from how much food it eats per day, what its heart-rate is, how long it will take to mature, its lifespan, and so on. Furthermore, the efficiency of the mammal's circulatory systems

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scales up precisely based on weight: If you compare a mouse, a human and an elephant on a logarithmic graph, you find with every doubling of average weight, a species gets 25% more efficient—and lives 25% longer. This speaks to everything from how long we can expect to live to how many hours of sleep we need. Fundamentally, he has proven, the issue has to do with the fractal geometry of the networks that supply energy and remove waste from the organism's body.

West's work has been game-changing for biologists, but then he made the even bolder move of exploring his work's applicability to cities. Cities, too, are constellations of networks and laws of scalability relate with eerie precision to them. For every doubling in a city's size, the city needs 15% less road, electrical wire, and gas stations to support the same population. More amazingly, for every doubling in size, cities produce 15% more patents and more wealth, as well as 15% more crime and disease. This broad pattern lays the groundwork for a new science of cities.

Recently, West has applied his revolutionary work on cities and biological life to the business world. This investigation has led to powerful insights into why some companies thrive while others fail. The implications of these discoveries are far-reaching, and are just beginning to be explored.

Scale is a thrilling scientific adventure story about the elemental natural laws that bind us together in simple but profound ways. Through the brilliant mind of Geoffrey West, we can envision how cities, companies and biological life alike are dancing to the same simple, powerful tune, however diverse and unrelated they are to each other.

GEOFFREY WEST, a theoretical physicist, is distinguished professor and past president at Santa Fe Institute. His primary interests have been in fundamental questions in physics and biology. West is a Senior Fellow at Los Alamos National Laboratory and a distinguished professor at the Sante Fe Institute, where he served as the president from 2005-2009. He has been featured in many publications world-wide including the *New York Times*, *Nature*, *Science*, the *Financial Times*, *Wired* and *Scientific American*, and has participated in television productions including *Nova*, the National Geographic and the BBC. His work on cities and companies was selected as a breakthrough idea of 2007 by *Harvard Business Review,* and in 2006 he was selected for *Time* Magazine's list of "100 Most Influential People in the World."

FUNDAMENTALS
(working title)
By Frank Wilczek Herman Feshbach Professor of Physics, MIT
Recipient, 2004 Nobel Prize in Physics
[US — Penguin Press, UK — Allen Lane, Audio — Penguin RH; Proposal; 50,000 words; Delivery: March 2019]

An exciting new book by Frank Wilczek, one of the world's most eminent theoretical physicists and the most important of his generation. His scientific work provides the basis for the LHC experiments at CERN. He has received many prizes for his work in physics, including the Nobel Prize (2004) for work he did as a graduate student at Princeton University, when he was twenty-one years old, and the King Faisal Prize in 2005.

Writes Wilczek: "The premise of the book is simple: I formulated ten basic propositions, which together convey the core of what every thinking person should know about science. In *Fundamentals*, the ten basic propositions support a series of interesting and connected chapters, which give historical and cultural context, outline the evidence, and draw out the implications. I want the marketing of this book to be based on the following slogan: "If you read just one book about science, this should be the one."

Here are three examples of the ten basic propositions:

HOUSE_OVERSIGHT_025161

1. The World Is Very Big
Our neighborhood (Earth, Solar System, Milky Way). The accessible universe. How we measure large distances. Consistency checks. The multitudes within.
2. The World Is Very Old
The nature of time. How we measure the age of objects on Earth. What we mean by the age of the universe, and how we measure it. Consistency checks.
3. Matter Is Built From A Small Menu Of Ingredients, Which Exist In Vast Quantities
Microscopy and its modern refinements. Matter from the bottom up—building from electrons, photons, nuclei (protons and neutrons) to everyday materials. How we analyze the chemistry of distant objects, like stars, and establish that they're made of the same stuff. Extraordinary objects.

Fundamentals is a short, sophisticated book that the explains fundamentals of science.

FRANK WILCZEK won the Nobel Prize in Physics in 2004 for work he did as a graduate student. His 1989 book, *Longing for the Harmonies*, was a *New York Times* notable book of the year. Wilczek is a regular contributor to *Nature* and *Physics Today* and his work has also been anthologized in *Best American Science Writing* and the *Norton Anthology of Light Verse*. He lives in Cambridge, Massachusetts, where he is the Herman Feshbach Professor of Physics at the Massachusetts Institute of Technology.

HOUSE_OVERSIGHT_025162

From: jeffrey E. [jeevacation@gmail.com]
Sent: 11/28/2016 6:47:15 PM
To: Pritzker, Tom [redacted]
Subject: Re: Re:

Importance: High

comey knows that denise neeed to pledge 500k to foundation

On Mon, Nov 28, 2016 at 1:44 PM, Pritzker, Tom <[redacted]> wrote:

Read an interesting article on why Comey screwed Clinton. Came from Israeli press.

1. Comey as DA is hunting down Marc Rich to indict him.
2. Ehud calls Clinton and says please pardon Marc Rich he has done work for Mossad that has been valuable.
3. Clinton pardons Rich and Comey has been pissed ever since.
4. Comey got his opening to get even.

No idea if this is accurate story.

tjp

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, November 28, 2016 12:39 PM
To: Pritzker, Tom <[redacted]>
Subject: Re:

barrack and the boys in pb, wild wild .

On Mon, Nov 28, 2016 at 1:37 PM, Pritzker, Tom <[redacted]> wrote:

Will check

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, November 28, 2016 12:35 PM
To: Pritzker, Tom [redacted]
Subject:

im in wed , fri. edelman?

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Subject: Re: Re:

cash

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Cash or in-kind services?

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 1/20/2017 12:10:12 PM
To: David Grosof [redacted]
Subject: Re: Your Special Day

Importance: High

pretty well

On Fri, Jan 20, 2017 at 7:02 AM, David Grosof <[redacted] wrote:

Probability as a force rather than a what?
Didn't suss out the next word...
Watson's pretty wild and fun, if overconfident about some ideas about autism when I saw him talk ~4 years ago on book tour @Google. I met him once through Gunther Stent, as well as Crick on another occasion. Know him well?
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Please forgive typos. Sent from Android Nexus 6 phone.

On Jan 20, 2017 2:47 AM, "jeffrey E." <jeevacation@gmail.com> wrote:

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At 10:13 PM 01/19/17, you wrote:

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More to come in a day or so.
Thanks!
You're up late or you're not so east of my SF location!
David

PS How to trade the Trump-GOP demolition of the welfare state, erratic elevation of risks of trade disruptions and war? Has anyone from the rational center or left given thought to how to respond to a national emergency to cope with a kakistocratic seizure of emergency powers? The Patriot Act was on a 'shelf' as you know, ready to be used. What should the better folks in this country have at hand if, say, a port is subject to a radiological attack of unknown origin?

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We haven't talked much at all for quite some time, so I'm not sure of the nature of your current interests but here are some of mine, where I feel I either have some special capability or can get access to those who have such.
* open science -- open access publishing, data publishing, and open culture institutions considered as a network with largely consistent and mutually reinforcing values: Public Library of Science (PLoS), Wikipedia, Internet Archive, Electronic Frontier Foundation, and Creative Commons, along with allied US, UK, European governmental and NGO funding sources and other institutions.
* early-stage life science-based ventures, especially those with one or more of these technologies: optics, wearable-sensors, brain-computer interface, behavioral engineering that goes beyond robo-noodging. I am not up to speed on synthetic bio and CRISPR, but I have a good friend who is.
* cybersecurity for you and your life. I have carefully monitored the web for articles about you and I have reason to think that those will persist indefinitely. I would be remiss as your friend if I did not encourage you to be as diligent and smart as possible in using tools like Signal, two-factor/multi-factor authentication, taking webmail archives off the web onto your own secure privately maintained archive or deleted (unlike Podesta), and other measures.
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Sent: 1/20/2017 12:14:31 PM
To: David Grosof[redacted]
Subject: Re: Your Special Day

Importance: High

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http://xkcd.com/123/ can't resist!

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 1/20/2017 1:03:10 PM
To: David Grosof [redacted]
Subject: Re: Your Special Day

Importance: High

god s reference frame :)

On Fri, Jan 20, 2017 at 7:44 AM, David Grosof <[redacted]> wrote:
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Thanks!
You're up late or you're not so east of my SF location!
David

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* open science -- open access publishing, data publishing, and open culture institutions considered as a network with largely consistent and mutually reinforcing values: Public Library of Science (PLoS), Wikipedia, Internet Archive, Electronic Frontier Foundation, and Creative Commons, along with allied US, UK, European governmental and NGO funding sources and other institutions.

* early-stage life science-based ventures, especially those with one or more of these technologies: optics, wearable-sensors, brain-computer interface, behavioral engineering that goes beyond robo-noodging. I am not up to speed on synthetic bio and CRISPR, but I have a good friend who is.
* cybersecurity for you and your life. I have carefully monitored the web for articles about you and I have reason to think that those will persist indefinitely. I would be remiss as your friend if I did not encourage you to be as diligent and smart as possible in using tools like Signal, two-factor/multi-factor authentication, taking webmail archives off the web onto your own secure privately maintained archive or deleted (unlike Podesta), and other measures.
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Importance: High

god - so he does play , just not with fair dice

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 4/8/2017 9:46:30 AM
To: Lesley Groff [redacted]
Subject: Fwd: Kuhn - The Science of Sleep and Dreams

Importance: High

---------- Forwarded message ----------
From: **Robert Kuhn** <[redacted]>
Date: Sat, Apr 8, 2017 at 2:28 AM
Subject: Re: Kuhn - The Science of Sleep and Dreams
To: "jeffrey E." <jeevacation@gmail.com>

Just arrived NY, here for ~10 days.

Now with the Trump-Xi Summit over (utterly overwhelmed by Syria strike), back to Closer To Truth.

When good to meet?

Robert

On Mar 23, 2017, at 4:23 PM, jeffrey E. <jeevacation@gmail.com> wrote:

Look forward to seeing you

On Thu, Mar 23, 2017 at 3:54 PM Robert Kuhn <[redacted]> wrote:

Hi: Just returned from a month in China. Attached is my summary of recent politics (in South China Morning Post), and pics of moderating (at request of govts of China and Israel) the PM's discussion with leading Chinese technologist (Baidu CEO, dominant Chinese search engine). The PM was in China for 25th anniversary of diplomatic relations

Back to CTT, my 'true love'… Love to discuss Science of Sleep & Dreams project. I'm in LA for week and then NY April 8-18.

Warm regards, Robert

On Feb 15, 2017, at 1:29 PM, Robert Kuhn <[redacted]> wrote:

501 (c) (3) - private operating foundation - The Kuhn Foundation, which I set up in 1999 to support Closer To Truth. IRS letter attached.
Thank you.

<Kuhn Foundation IRS Tax Exempt Determination Letter 1999, 2015.pdf>

On Feb 15, 2017, at 4:17 PM, jeffrey E. <jeevacation@gmail.com> wrote:

is it a charity that received the funding?

On Wed, Feb 15, 2017 at 1:27 AM, Robert Lawrence Kuhn <[redacted]> wrote:

Pardon the formality below - I want to approach your very legitimate questions / concerns in a serious manner.
Attached and below the same.

Dear Jeffrey:

As requested, the following addresses your two questions / concerns about our proposed Closer To Truth TV series "The Science of Sleep and Dreams":

(i) Have there been sufficient breakthroughs in Sleep and Dreams (significantly beyond traditional understandings) to justify a major TV series?

(ii) Even if 'yes' to (i), is now the proper time for such a foundational series, or are more years needed for corroborative studies and further research to solidify the breakthroughs?

In preparing this response, my primary source is Professor Patrick McNamara, Department of Neurology, Boston University School of Medicine, with whom CTT Producer/Director Peter Getzels and I spoke with at length today. Patrick is one of the leading sleep and dream researchers (he himself more dreams). More importantly, he is perhaps the leading chronicler of the field, with many publications (including 26 entries in related encyclopedias). He is co-editor-in-chief of the "Encyclopedia of Sleep and Dreams" (2012) and the sole author of the forthcoming "An Introduction to the Neuroscience of Sleep and Dreams" (Cambridge University Press, 2018), which intends to present the latest science and to become a main textbook for graduate courses/seminars. Patrick is a CTT contributor and colleague.

When we asked Patrick, his first response – "This is the ideal time to tell the sleep-and-dreams story" – and he cited (in essence) your two questions, in that (i) the multiple breakthroughs are now sufficiently well corroborated by numerous independent labs such that a substantial foundation for the new, deeper understanding of sleep and dreams is now for the first time (over the past few years) confirmed and established, and (ii) there are now interesting application and critical clinical questions to pose, explore and pursue, such as for the treatment of various mental-related illnesses that have known sleep-related syndromes (e.g., PTSD and Depression).

To understand the significance of recent breakthroughs, a defining characteristic of sleep and dreams is that there are two distinct kinds of sleep – REM (rapid-eye-movement) Sleep and NREM (non-rapid-eye-movement) Sleep. Most dreams are associated with REM sleep (though complex). The eye movement gives the eponymous name, but a more important designation defines the two stages in terms of brain waves (electroencephalograph – EEG): REM is Fast-Wave Sleep (similar to the waking state) and NREM Sleep is Slow-Wave Sleep (very different from the waking state). This difference between REM and NREM sleep has been known since 1953 (different EEGs since 1937), but its deep significance has only been discovered and confirmed in very recent years (as explained below).

Following are the key areas of breakthrough in sleep and dreams (from Patrick). Patrick states that these are

now reproducible, non-controversial, and well-accepted among experts, although still not appreciated by the public - hence the high value of our CTT TV series. The organizing idea is why and how are sleep and dreams essential for normal memory consolidation and bodily health / well-being.

Memory Consolidation. There is a fundamental difference between REM and NREM Sleep for memory consolidation: REM is for emotional memories, whereas NREM is for declarative and procedural memories. Hence, understanding and dealing with REM emotional memories can lead to treatment for the many neuropsychiatric illnesses that have sleep/dream-related disorders or syndromes (Parkinson's Disease, Anxiety, Substance Abuse, many sleep disorders such as Nightmare Disorder, etc., in addition to PTSD and Depression). Research shows bi-directional causality between neuropsychiatric disorders and sleep disorders. This is a superb example of how fundamental science breakthroughs lead to clinical breakthroughs. This fact that REM is associated with emotional memories is nicely consistent with the apparent psychotic nature of dreams, because in REM Sleep the frontal cortex is 'down-regulated' (and the frontal cortex is associated with rational planning, reflection, controlling impulses), while in REM Sleep the limbic system is 'up-regulated" (and the limbic system is associated with emotions and feelings) – see Neuroimaging below. This is why dream states flood the ego with emotional fantasies without rational control. However, it is also true that the limbic system enables creative ideas, thus grounding in science the long-suspected idea that sleep and dreams can enhance creativity.

As Dr. Robert Stickgold, our other advisor on the series, wrote: "It would be nice if we could talk about sleep and memory as if there were only one type of memory and one type of sleep. But this is far from the case. Sleep and memory each comes in many forms, and furthermore, memories can go through multiple forms of post-encoding processing that must be individually addressed."

Immunity / Immune System. Strengthening the immune system is now a proven product of NREM sleep. Discerning the evolutionary basis for this is a key research project (i.e., it seems counter-intuitive that sleeping facilitates fitness for survival in that predators lurked in the jungles and on the plains so that going unconscious during sleep does not, at first glance, seem especially adaptive). Studies of sleep in various non-human animals reveals a direct relationship between longer periods of NREM (Slow-Wave) Sleep and a stronger immune system, especially in fighting parasites. NREM Sleep releases molecules that fight inflection; NREM Sleep works for the maintenance, repair and activation of the immune system. (This gives scientific rationale for the need or desire to sleep during illnesses.) Related are "genetic conflict" studies with respect to REM and NREM, showing differences in heredity between material and paternal lines, and differences between males and females in which genes get "imprinted".

Neuroplasticity. Exciting recent research has reversed the century-long conventional wisdom that new neurons are never created in adult animals/humans. The development of new neurons – neuronogenesis – is a vital part of maintaining normal brain and mental functioning. New neurons are being created, importantly, in the hippocampus (brain organ where new memories are encoded) – but, remarkably, the neuronogensis in the hippocampus occurs only/largely during REM Sleep – a stunning finding. This is another reason why REM sleep is needed for emotional memory consolidation (normal functioning).

Dream-Content. Although dreams have sparked human fascination and fantasy for thousands of years, only in very recent years, have large-scale surveys been conducted with rigorous design, classifications and statistical analysis. Literally hundreds of thousands of dreams are enabling statistically significant theories, including cross-cultural analyses (similarities and differences). Dream-posting sites have revolutionized size and structure of dream data sets. This enables, for the first time, longitudinal studies of dreams over time. Patterns are repeated. For example, in general, the dreams of males and females differ in fundamental ways. Males will engage in fighting with other males; females with both males and females. Male dreamers are often the initiator of fights and the fights are usually physical. Females fight verbally. Aggressiveness by the dreamer is almost always in REM Sleep, rarely in NREM Sleep. (Why is a continuing question.) "Lucid Dreaming" is a new area of fascinating research. Lucid Dreaming is where the dreamer "knows" that

he/she is dreaming while dreaming (a talent that a small minority possesses but more can be trained/developed). Lucid dreamers, while sleeping, can now communicate with experimenters by altering their brain activity and thus becoming detectable by neuroimaging techniques (see below).

Neuroimaging. Finally, neuroimaging technology has enabled many of these breakthroughs. As such, it is itself a methodological breakthrough that has enabled these other content breakthroughs. Neuroimaging now enables detailed location of the neuroanatomy and neurophysiology of REM and NREM Sleep. In REM Sleep, the dorsolateral, frontal cortex is "down-regulated", whereas the limbic system is "up-regulated", showing the physiological basis for the emotional, wild-fantasies of dreams (see above). (Neuroimaging will enable good visual images for the TV series without extra costs.)

Patrick stresses that while these breakthroughs form, for the first time, a solid foundation for understanding sleep and dreams, they also open opportunities to dig deeper into the "purpose" of sleep and dreams, as well as engender a new series of questions and directions (e.g., clinical treatments of illnesses).

Attached is Patrick's quick compiling of summaries of a few recent leading research papers (2009 – 2017, especially 2015-2017).

You'd enjoy speaking with him, if you want.

Love to do this series together with you.

Much appreciate and warm regards,

Robert

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 5/28/2017 11:43:17 PM
To: LHS [redacted]
Subject: Re: Is Donald still feeling good

Importance: High

your world does not understand how dumb he really is. he will blame everyone around him. for bad results. . gary cohn in good place. . as is jared. all others , not long for this world.. intresting argument whether using whats app is obstruction of justice. deletes after sending. ?

On Sun, May 28, 2017 at 7:36 PM, LHS <[redacted]> wrote:

More would represent Donald if Kaslowitz out of picture. Not surprising. very hard to be law firm representing POTUS and know what to do when potus lies to u.

My world thinks poorly of Gorelick for representing Jared.

How guilty is Donald?

Of crudity surely
Of gross ignorance surely
Of being utterly without the intellect temperament for job surely
Of being over line on family profiting very likely
Of gross disregard for appearances almost surely.
Of Russians having financial leverage. Less clear
Of Russians helping in. Election w complicity of his campaign plausible but not certain

Strikes me if u work for Donald u don't free lance so he is guilty of whatever his campaign did.

Do u agree w foregoing?

Sent from my iPad

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

From: jeffrey E. <jeevacation@gmail.com>
Sent: Sunday, May 28, 2017 7:28 PM
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From: jeffrey E. [jeevacation@gmail.com]
Sent: 5/28/2017 11:44:32 PM
To: LHS [[redacted]]
Subject: Re: Is Donald still feeling good

Importance: High

you should hook up with gates or hoffmand and do the donor advised fund. you should lead the education initaitive. , church , genetics. , jobs climate projects. , etc.

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 3/2/2018 12:47:41 PM
To: Jonathan Farkas [redacted]
Subject: Re:

funn /. its a wild time

On Fri, Mar 2, 2018 at 5:58 AM, Jonathan Farkas <[redacted]> wrote:

> Hi Jeffrey do you think this is Smoot Hawley 2 which topped us into the depression Bloomberg just quoted trump trade wars are good and easy to win thanks jf Somers is going to mar a lago lunch Saturday fund raiser for djt
>
> Sent from my iPhone

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 5/20/2018 8:02:59 PM
To: Weingarten, Reid [redacted]
Subject: Re:

a us citizen , working for mi 5 . calls trump campaign insiders and tryr to get info for mi5 and fbi. . including after trunmp takes office. . 1 did obama know"? if a us citizen working for britain spies. can they spy on americans? who pays . paid. wild. donald focused on this bigtime

On Sun, May 20, 2018 at 9:59 PM Weingarten, Reid <[redacted]> wrote:

Oy

Sent from my BlackBerry 10 smartphone.

From: jeffrey E.
Sent: Sunday, May 20, 2018 3:45 PM
To: Weingarten, Reid
Subject: Re:

hes the fbi informant. Mi 5 cia , oy.

On Sun, May 20, 2018 at 8:39 PM Weingarten, Reid <[redacted]> wrote:

Educate me

Sent from my BlackBerry 10 smartphone.

From: jeffrey E.
Sent: Sunday, May 20, 2018 11:16 AM
To: Weingarten, Reid
Subject:

who is going to represent stephen halper. that will be fun

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 9/18/2018 10:40:13 PM
To: paul krassner [[redacted]]
Subject: Re: deja' vu' by pk

great

On Tue, Sep 18, 2018 at 3:48 PM, paul krassner <[redacted]> wrote:

Why I Leaked the Anita Hill Affidavit

I shall identify myself only as a female aide to a Republican senator. It is also relevant that I have long nurtured a keen interest in psycho-history, the process by which a nation's direction is interpreted as an extension of the psychological makeup of those individuals who govern it.

Without going into specific detail, let me simply state that on October 5, 1991, I happened to hear part of a conversation among Judge—now Supreme Court Justice—Clarence Thomas, Senator Orrin Hatch and Senator Alan Simpson. The three were meeting informally one week after the Judiciary Committee voted, first 7-7, then 13-1, to recommend the confirmation of Judge Thomas, and one day after the full Senate indicated that he *would* be confirmed.

The conversation I happened to hear had to do with those charges brought by Anita Hill and ignored by the members of the committee, both Democratic and Republican. At that point in time I still thought this was an appropriate response, because the alternative would have been to hold an executive session, and Judge Thomas would then have had no practical choice but to resort to heavy denial. Now, however, these men were, in a jocular fashion, acknowledging the truth of what would turn out to be Professor Hill's allegations.

Senator Simpson was saying, "Y'know, Clarence, I've seen some pretty raunchy porno movies in my time, but I never did see one where a lady was having sex with an *animal*."

"I'll never forget it," Judge Thomas replied in his riveting sonorous tone. "They were in a barn. Except that the inside of the barn was like a theater."

Senator Hatch interjected, "Summer stock, eh? No pun intended"

"There was a stage at one end," Judge Thomas continued his description, "and the stage was facing rows and rows of wooden folding chairs. There were haystacks piled up on the stage, and in front of the haystacks there was a beautiful, buxom, blond woman—and a donkey. Well, the woman began disrobing and she started stroking the donkey to arousal."

"Doesn't sound at all sleazy to me," Senator Simpson said.

"Actually, it had Beethoven piano sonatas playing in the background," Judge Thomas said. "Well, when the woman was fully disrobed and the donkey was fully aroused, they began copulating, right there in front of those haystacks on the stage of that barn. Slow and sensual. Then bumping and grinding away, accompanied by passionate moans and wild braying. You've never seen a sight like this, I promise. And then the camera panned slowly toward the audience . . . and the audience consisted entirely of *donkeys*."

The Senate office shook with raucous laughter, especially that of Judge Thomas. His booming guffaws rang like huge gongs in a church belfry. And, I must admit, I had to suppress my own laughter. I had been totally caught by surprise, but I appreciated getting the insight. Homo sapiens is, in reality, the only species that has a need for pornography.

When the group's laughter finally began to simmer down, Senator Hatch said, "I suppose that movie was one of the demands of the animal rights people."

"That's correct," Senator Simpson added. "Saving animals' lives is no longer enough. They need *culture.*"

I felt like I was imprisoned in the boys' locker room, but I was getting ready to force myself to leave anyway, and it would have ended right there for me if the subject matter hadn't returned to Anita Hill.

"I'm glad nobody considered calling *her* to testify against me, even for a closed-door session," Judge Thomas said. "But you fellas will really love this. Anita Hill was a very opinionated young lady. Actually, she and I once had an *extremely* animated discussion on the decriminalization of abortion. Can you imagine what the Democrats would've done with *that*?"

And that was the precise instant I made the decision to leak Professor Hill's statement to the press. Although I have constantly been sexually *hassled*, I have never really been harassed in the *legal* sense of the word.

However, I *have* had an abortion, and I was totally outraged by the blatant hypocrisy I'd overheard. I had never leaked a document before, but my anger overshadowed my fear.

I chose Nina Totenberg because I had come to trust her reporting about the Supreme Court on National Public Radio. I honestly had no idea what leaking the affidavit would accomplish. I certainly did not envision that it would literally embarrass the Senate into delaying the vote until public hearings were held, though that probably was my secret desire.

But Judge Thomas *testified under oath* that he had never discussed the subject of abortion. However, in response to a question by Senator Hank Brown, Professor Hill testified that she had disagreed with Judge Thomas in a discussion about *Roe v. Wade*. Unfortunately, then-Senator Joseph Biden quickly interrupted her.

"That is not the subject of these hearings," he said.

Personally, I feel quite disappointed about that particular aspect of the testimony, but I have not the slightest regret over leaking Anita Hill's affidavit, and I would gladly do it all over again.

I certainly set a higher moral standard for myself than did the staffer for Senator John Danforth who wrote Judge Thomas's statement that began, "Nobody helped me with this."

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mercury films inc.
645a dupont street
toronto ontario m6g 1z4 canada
t: 416.516.2661
e: mercfilm@istar.ca

JENNIFER BAICHWAL

Jennifer Baichwal was born in Montréal and grew up in Victoria, British Columbia. She studied philosophy and theology at McGill University and received an M.A. in 1994, supported by a McGill Major Fellowship and a 2 year FCAR Master's Scholarship.

She has been directing and producing documentaries for 15 years. Her first film, *Looking You In The Back of the Head,* an enquiry into the problem of personal identity, asked thirteen women to try to describe themselves and was first broadcast, to critical acclaim, on TVOntario's From the Heart. It subsequently sold for broadcast across Canada.

Let it Come Down: The Life of Paul Bowles, her first feature documentary, won a 1999 International Emmy for Best Arts Documentary. It premiered at the Toronto International Film Festival in 1998 and was nominated that year for a Best Feature Documentary Genie Award. It won Best Biography at Hot Docs in 1999 and was picked up for theatrical release by Mongrel Media in Canada, Zeitgeist Films in the U.S., and Uplink in Japan. The film has been sold for broadcast all over the world, and has been selected for a number of international film and television festivals, including Jerusalem, Buenos Aires, FIPA, Banff (where it received a Rockie nomination), Istanbul and Edinburgh.

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Baichwal, along with Nick de Pencier, was commissioned in 2003-4 to make 40 short films on artists who have been supported over the past four decades by the Ontario Arts Council. These include writer Michael Ondaatje, artist Michael Snow, pianist Eve Egoyan and playwright Judith Thompson, and are in periodic rotation on TVOntario. The collection received a 2006 Gemini nomination for Best Direction in a Performing Arts Program or Series.

Manufactured Landscapes, a feature documentary about the work of artist Edward Burtynsky, was a co-production between Mercury Films, Foundry Films and the National Film Board. It premiered at the Toronto International Film Festival in September 2006 and won Best Canadian Feature Film, and has since received a number of other awards, notably a Genie for Best Documentary, Al Gore's Reel Current Award and the 2006 Toronto Film Critics' Award for Best Canadian Feature and Best Documentary 2006. It played theatrically in over 15 territories worldwide, after a prolonged and successful run in Canada.

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De Pencier was a producer resident in the Canadian Film Centre's 1997 Producers' Lab, and produced one of four Short Dramatic Films, *Cold Feet*, which was selected for the Toronto International Film Festival and the Clermont-Ferrand Short Film Festival, among others. He then produced Jim Allodi's feature film *The Uncles*, which premiered at the Toronto International Film Festival in September 2000, was picked up for distribution in Canada by Odeon Films, and named one of year's top ten Canadian films by the Toronto International Film Festival Group.

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Other Cinematographer credits include the documentaries *Tre Donne*, *The Quest for the Unicorn*, *A Murder of Crows*, and *Deux de la Vague,* which premiered at Cannes in 2009.

As both producer and director of photography his credits include the feature documentary *Let It Come Down: The Life of Paul Bowles,* which received a Genie nomination in 1998, a Banff Rockie nomination in 1999 and won the International Emmy Award for Best Arts Documentary in 1999. Also *The Holier It Gets*, a documentary filmed in Canada and India, which won Best Cultural and Best Independent Canadian Documentary at Hot Docs, 2000, and garnered Geminis for best writing, editing, and direction in a documentary series, as well as a nomination for The Donald Brittain award for best documentary and a nomination for a Chalmers Award in 2001.

In 2002 he produced and shot the documentary: *The True Meaning of Pictures* about the work and world of Kentucky photographer Shelby Lee Adams, which premiered at TIFF and then Played at the Sundance Film Festival. It was nominated for two Gemini Awards and won in the Best Arts Documentary category. This was followed in 2003 by *Hockey Nomad* based on Dave Bidini's best-selling book *Tropic of Hockey* about hockey in unlikely places around the globe, which was nominated for a Banff Rockie Award, as well as three Geminis, and won the Best Sports Documentary Gemini. He also co-directed, produced and photographed for TVOntario a series of 40 short profiles on artists who have received Ontario Arts Council grants over the past 40 years.

He produced the documentary *Manufactured Landscapes,* which won the Chum City Award for best Canadian feature at TIFF 2006, the Genie Award for best Documentary, and was distributed in 15 countries. He also directed and partially shot the high definition feature documentary *Four Wings and a Prayer*, about the migration of the Monarch butterfly, which won the Grand Prix Pariscience, the Banff Rockie Award for best Wildlife and Natural History Program, the Jules Verne Nature Award, and was nominated for Geminis for best Science Documentary, Best Cinematography and Best Direction, as well as an Emmy for Outstanding Nature Programming (PBS version).

Most recently he was producer and director of photography on *Act of God* - a feature documentary about the metaphysics of being struck by lightning, which was selected as the opening night film for Hot Docs International Film Festival as well as an official selection in competition at the Karlovy-Vary International Film Festival in 2009. In 2010 he is shooting the documentary adaptation of *Payback*, Margaret Atwood's Massey Lecture on debt.

KERMIT BLACKWOOD (Lead Writer/Creative Director)

Kermit Blackwood graduated from Marlboro College in Vermont, 2000. As an undergraduate science major, he was one recipient of an unrestricted $750,000 MacArthur Foundation grant. He is considered an authority on gallinaceous birds, evolutionary biology, and behavioral ecology; having described an alternative evolutionary pathway of ornamental plumage in Gallinaceous birds, which pushes the boundaries of current understandings of animal mimicry and avian flight. Over the years, he has worked with the Wildlife Conservation Society at the Bronx Zoo, the American Museum of Natural History, and the Stockholm Museum of Natural History Ornithology Department. He has also conducted extensive field research in Asia and the Americas on a host of Gallinaceous bird species. Kermit writes natural history essays and historical fiction stories for film and television. He also co-writes and produces musical soundtracks and scores.

TRAVIS RUMMEL (Associate Producer)

Travis Rummel graduated from Colorado College in 2001 with a degree in International Political Economy. Moving to Telluride to pursue white water rafting and fly fishing after college, he began working on documentary films focusing on nature. Travis Rummel's production company FeltSoul Media, co-owned with Ben Knight, has produced an award winning feature and several award winning shorts.

The Hatch, a short documentary film on the annual stone-fly hatch that engulfs the Black Canyon of the Gunnison River, tells the story of what used to be a secret fishing spot closely guarded by a few locals. However, dire threats to this pristine river prompted Felt Soul to raise awareness of this critical conservation issue through the production of this film. It won Best Documentary, Gotham Film Festival, and placed as a finalist at the Telluride Mountain Film Festival, Banff Mountain Film Festival, and Taos Mountain Film Festival (2005/2006).

Running Down the Man, another short documentary film, chronicles the quirky activity of fly-fishing for Rooster Fish from the beaches of Baja Sur, Mexico. It won Telluride Mountain Film Festival People's Choice Best Film, and was a finalist in Taos Mountain Film Festival, Durango Independent Film Festival, and Boulder International Film Festival Finalist (2006/2007).

BEN KNIGHT (Second Unit Director of Photography)

Ben Knight

Ben Knight headed westward from his home in North Carolina at the age of 17 to follow his dream of documentary work and photojournalism. For 10 years, he worked as the Photo Editor for the Daily Planet in Telluride, Colorado. His still photography, video, and editing skills are entirely self-taught. For years he operated the projector at the Telluride Mountainfilm, soaking in the style of the films that showed from around the globe. In 2008 Knight stood upon the stage at the Mountainfilm Awards to accept the Director's Choice Award as well as Audience Choice for Best Film for Red Gold. What a journey.

Red Gold, a feature-length documentary, is set at the headwaters of the Kvichak and the Nushagak Rivers in Bristol Bay Alaska: the two largest remaining sockeye salmon runs on the planet. Mining companies Northern Dynasty and Anglo American have proposed to extract what may prove to be the richest deposit of gold and copper in the world. Red Gold is a portrait of a unique way of life that would not exist if the salmon didn't return with Bristol Bay's tide. This film won many awards, including Best Film, Ellensburg Film Festival, Award for Cinematic Vision, Camden International Film Festival, Audience Choice Award for Best Film, Banff Mountain Film Festival, and Director's Choice for Best Film, Telluride Mountain Film (2007/2008).

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toronto ontario m6g 1z4 canada
t: 416.516.2661
e: mercfilm@istar.ca

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As a cinematographer, de Pencier regularly shoots factual TV series, modern dance, rock videos (Gord Downie, Skydiggers, Bob Wiseman), and documentaries. He has also directed, produced and photographed eight modern dance performance films which have received national and international broadcasts and won awards at Canadian and international festivals. His performance film *Streetcar*, was nominated in 2004 for a Performing Arts Best Direction Gemini; the film's choreographer and lead, Peter Chin, won for Best Performance in a Performing Arts Program or Documentary. It was also nominated for a Banff Rockie Award.

Other Cinematographer credits include the documentaries *Tre Donne*, *The Quest for the Unicorn*, *A Murder of Crows*, and *Deux de la Vague,* which premiered at Cannes in 2009.

As both producer and director of photography his credits include the feature documentary *Let It Come Down: The Life of Paul Bowles,* which received a Genie nomination in 1998, a Banff Rockie nomination in 1999 and won the International Emmy Award for Best Arts Documentary in 1999. Also *The Holier It Gets*, a documentary filmed in Canada and India, which won Best Cultural and Best Independent Canadian Documentary at Hot Docs, 2000, and garnered Geminis for best writing, editing, and direction in a documentary series, as well as a nomination for The Donald Brittain award for best documentary and a nomination for a Chalmers Award in 2001.

In 2002 he produced and shot the documentary: *The True Meaning of Pictures* about the work and world of Kentucky photographer Shelby Lee Adams, which premiered at TIFF and then Played at the Sundance Film Festival. It was nominated for two Gemini Awards and won in the Best Arts Documentary category. This was followed in 2003 by *Hockey Nomad* based on Dave Bidini's best-selling book *Tropic of Hockey* about hockey in unlikely places around the globe, which was nominated for a Banff Rockie Award, as well as three Geminis, and won the Best Sports Documentary Gemini. He also co-directed, produced and photographed for TVOntario a series of 40 short profiles on artists who have received Ontario Arts Council grants over the past 40 years.

He produced the documentary *Manufactured Landscapes,* which won the Chum City Award for best Canadian feature at TIFF 2006, the Genie Award for best Documentary, and was distributed in 15 countries. He also directed and partially shot the high definition feature documentary *Four Wings and a Prayer*, about the migration of the Monarch butterfly, which won the Grand Prix Pariscience, the Banff Rockie Award for best Wildlife and Natural History Program, the Jules Verne Nature Award, and was nominated for Geminis for best Science Documentary, Best Cinematography and Best Direction, as well as an Emmy for Outstanding Nature Programming (PBS version).

Most recently he was producer and director of photography on *Act of God* - a feature documentary about the metaphysics of being struck by lightning, which was selected as the opening night film for Hot Docs International Film Festival as well as an official selection in competition at the Karlovy-Vary International Film Festival in 2009. In 2010 he is shooting the documentary adaptation of *Payback*, Margaret Atwood's Massey Lecture on debt.

KERMIT BLACKWOOD (Lead Writer/Creative Director)

Kermit Blackwood graduated from Marlboro College in Vermont, 2000. As an undergraduate science major, he was one recipient of an unrestricted $750,000 MacArthur Foundation grant. He is considered an authority on gallinaceous birds, evolutionary biology, and behavioral ecology; having described an alternative evolutionary pathway of ornamental plumage in Gallinaceous birds, which pushes the boundaries of current understandings of animal mimicry and avian flight. Over the years, he has worked with the Wildlife Conservation Society at the Bronx Zoo, the American Museum of Natural History, and the Stockholm Museum of Natural History Ornithology Department. He has also conducted extensive field research in Asia and the Americas on a host of Gallinaceous bird species. Kermit writes natural history essays and historical fiction stories for film and television. He also co-writes and produces musical soundtracks and scores.

TRAVIS RUMMEL (Associate Producer)

Travis Rummel graduated from Colorado College in 2001 with a degree in International Political Economy. Moving to Telluride to pursue white water rafting and fly fishing after college, he began working on documentary films focusing on nature. Travis Rummel's production company FeltSoul Media, co-owned with Ben Knight, has produced an award winning feature and several award winning shorts.

The Hatch, a short documentary film on the annual stone-fly hatch that engulfs the Black Canyon of the Gunnison River, tells the story of what used to be a secret fishing spot closely guarded by a few locals. However, dire threats to this pristine river prompted Felt Soul to raise awareness of this critical conservation issue through the production of this film. It won Best Documentary, Gotham Film Festival, and placed as a finalist at the Telluride Mountain Film Festival, Banff Mountain Film Festival, and Taos Mountain Film Festival (2005/2006).

Running Down the Man, another short documentary film, chronicles the quirky activity of fly-fishing for Rooster Fish from the beaches of Baja Sur, Mexico. It won Telluride Mountain Film Festival People's Choice Best Film, and was a finalist in Taos Mountain Film Festival, Durango Independent Film Festival, and Boulder International Film Festival Finalist (2006/2007).

BEN KNIGHT (Second Unit Director of Photography)

Ben Knight

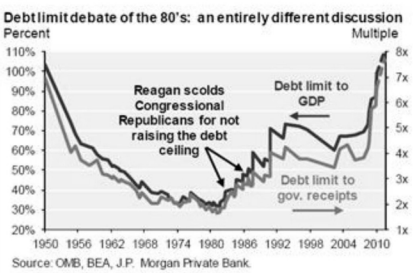
Ben Knight headed westward from his home in North Carolina at the age of 17 to follow his dream of documentary work and photojournalism. For 10 years, he worked as the Photo Editor for the Daily Planet in Telluride, Colorado. His still photography, video, and editing skills are entirely self-taught. For years he operated the projector at the Telluride Mountainfilm, soaking in the style of the films that showed from around the globe. In 2008 Knight stood upon the stage at the Mountainfilm Awards to accept the Director's Choice Award as well as Audience Choice for Best Film for Red Gold. What a journey.

Red Gold, a feature-length documentary, is set at the headwaters of the Kvichak and the Nushagak Rivers in Bristol Bay Alaska: the two largest remaining sockeye salmon runs on the planet. Mining companies Northern Dynasty and Anglo American have proposed to extract what may prove to be the richest deposit of gold and copper in the world. Red Gold is a portrait of a unique way of life that would not exist if the salmon didn't return with Bristol Bay's tide. This film won many awards, including Best Film, Ellensburg Film Festival, Award for Cinematic Vision, Camden International Film Festival, Audience Choice Award for Best Film, Banff Mountain Film Festival, and Director's Choice for Best Film, Telluride Mountain Film (2007/2008).

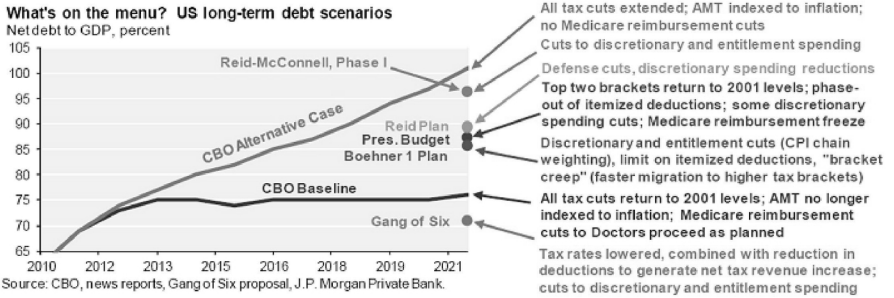
From: US GIO [us.gio@jpmorgan.com]
Sent: 7/25/2011 4:33:45 PM
To: Undisclosed recipients:
Subject: Eye on the Market, July 25, 2011
Attachments: image002.png; image004.png; image006.png; image008.png; image021.png; image022.png; image023.png; image024.png; 07-25-11 - EOTM - White Castle.pdf

Eye on the Market, July 25, 2011 (the attached PDF document is much easier to read)
Topics: US debt ceiling negotiations, a more ambitious European bailout plan (finally), and how large cap growth stocks and rising corporate profits are patiently waiting for both of them to end

White Castle. Twenty five years ago, I had a friend with a peculiar way of responding to seeing things he didn't like on TV: he would throw White Castle hamburgers at the screen. I always thought this was a bad way to waste a good hamburger, but I had one of those moments the other night when watching news reports on debt ceiling discussions. Media outlets have referred to President Reagan's scolding of Congressional Republicans for delaying debt ceiling increases, and the 18 increases that took place during his Presidency. The implication: reservations about raising the debt ceiling are as irresponsible now as they were then. **This is a disingenuous argument; in the 1980's, the debt ceiling being debated was 50% of GDP, and had no bearing on the solvency of the United States**. Today, the proposed increase raises the debt limit twice as high, measured relative to GDP or government revenues. While a default is a *very* bad idea (deserving of a White Castle hurling of its own), unconstrained debt growth with no plan to slow it is bad as well. Some suggest we not worry about debt growth, since demand from foreign central banks and the Federal Reserve would keep yields in check. That logic is irresponsible at best. Debt limit legislation is a rocky but healthy way for a democracy to decide whether mega-deficits are in the long-term public interest.



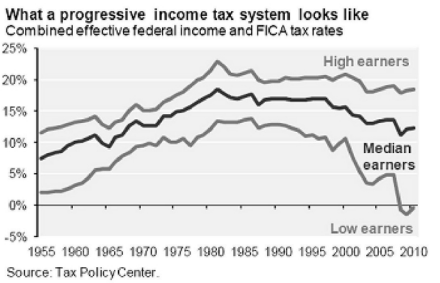
Over the last few days, the Gang of Six plan, the Reid-McConnell plan and the Obama-Boehner plan have all been raised up the flagpole and then lowered. By the end of the process, we're still looking for deficit reduction of $3 trillion+ over 10 years (relative to the CBO Alternative case in which there is no deficit reduction at all). However, Congress is running short on time, and may have to do a smaller debt ceiling increase/deficit reduction first. For now, we wait to see the balance of spending cuts and revenue increases will be agreed to. Last week's *Profiles in Courage* piece walked through the history and dynamics of this process, so we won't repeat that here. **Here's our take on what has been proposed so far**, with the caveat that many plans are not crystal clear what baseline they are using, or what steps they recommend to get to that baseline first. For example: the Gang of Six state that they used the President's budget as a baseline (scored by CBO in March 2011), reduced deficits by $3.7 trillion, and ended up with a 71% debt/GDP ratio; but they do not explain how they get to the President's baseline in the first place.



I have a feeling that revenue increases will be a material (e.g., 25% or more) part of the deal. The Peterson Foundation's sampling of 6 policy groups shown below indicate that 5 of 6 recommend revenue increases compared to where we are today; the Heritage Foundation's "*Woody Guthrie Memorial Budget Plan*" is the only exception. What kind of revenue increases? Raising the top two brackets, which would affect joint filers with adjusted gross incomes above $212,300, would raise $450-$700 billion over 10 years (depending on whether you use OMB or CBO numbers). If they cannot agree to raise *rates*, another option (as in the Gang of Six plan) would be reductions in the deductibility of state and local taxes, sales taxes, mortgage interest, etc. As this gets sorted out, let's hope everyone recognizes that the US tax system is already progressive. As shown in the chart below, effective Federal tax rates for low earners have dropped to zero over the last decade, even after including FICA taxes. News reports that the US tax system is regressive make me want to throw hamburgers at the screen.

Revenues and Spending	*as a % of GDP*	
	Revenues	Spending
Fiscal year 2011	15.3%	24.1%
Fiscal years 1950-1969	17.5%	18.1%
Fiscal years 1970-2010	18.0%	20.8%
Estimates for 2035:		
CBO alternative case	19.5%	33.9%
American Enterprise	19.9%	22.8%
Bipartisan Policy Center	23.1%	23.7%
Center for Am. Progress	23.8%	23.2%
Economic Policy Institute	24.1%	27.8%
Heritage Foundation	18.5%	17.7%
Roosevelt Institute	22.9%	24.8%

Source: OMB, CBO, Peterson Foundation 2011 Fiscal Summit.



Europe: Finally (!!), but now what?

For the first time since 2009, it felt last week like European policymakers were trying to get out in front of things. In exchange for a modest amount of "private sector involvement", Germany agreed to more generous financing terms for Greece, Ireland and Portugal, and an expanded role for the EU-IMF lending facility (see following page). What would the plan accomplish if implemented? While Greek debt to GDP ratios would remain well over 125% of GDP (the IMF estimate for next year is a ridiculous 170%), Greece's near-term financing obligations would decline, due to debt buybacks, exchanges into long maturity bonds, and interest grace periods on new EU loans. More broadly, the plan also allows for money to be lent to countries *before* they enter into an IMF program, for recapitalization of banks. **All things considered, it's the broadest defense of the Monetary Union so far.** On paper, it even looks like a **free ride** for holders of Greek paper that don't participate in the debt exchanges (they would be paid at par). So, what's not to like? Well, there are still questions about Greece:

** There's a big difference between generous *financing* terms and generous *economic* terms. Greece must still meet an enormous 5%-6% primary budget surplus target (government revenues less spending, pre-interest) during a recession
** Greece must execute on its asset sale targets, despite having little success or experience doing this in the past

** Banks listed in the IIF document (the committee representing them) are under no binding legal obligation to participate in the debt exchanges, and may turn out to own less Greek debt than currently believed. [Note: bank participation in the Latin Brady bond era was high, since at the time, banks held almost all the paper, and in the form of illiquid loans].

The big question: **would Germany still live up to the deal** if Greece missed deficit targets or assets sales, if bank participation was too low, or if hedge funds (once referred to by the Chairman of the German Social Democratic Party as a "swarm of locusts") reaped large free rider windfalls? Ultimately, this is a political question. If "yes", Germany will underwrite Greece no matter what; if "no", then a broader, coercive Greek restructuring might follow in the not-so-distant future.

What the EU gave: an easing of lending conditions, and an expanded role for the EU lending facility (EFSF)

* Another 109 bn for Greece, allowing the country to continue to pay off maturing debt (to those not participating in the exchanges)
* Rate on new EU loans to Greece, Portugal and Ireland cut to 3.5%, maturities on new & old loans extended from 7.5 to 15-30 years
* 10 year grace period on interest on new EU loans to Greece; the unpaid interest accumulates
* EU loan facility has the ability to buy sovereign debt in the secondary markets, including a plan to purchase 40 bn of Greek debt (most likely including much of the Greek debt purchased by the ECB)
* EU loan facility has the ability to lend to countries (even those not in an IMF program) to recapitalize their banks
* Language (with no specifics) regarding the use of EU structural funds to boost growth in Greece

What the EU gets: more austerity, Maastricht with teeth (?) and private sector involvement in Greek debt rollover

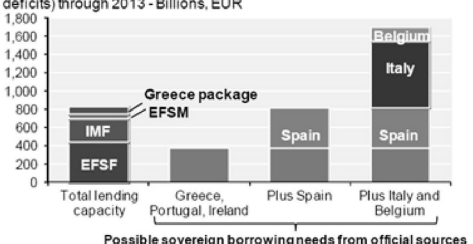
* Legally binding national fiscal framework to be developed by end of 2012; fiscal deficits brought to 3% by 2013 at the latest
* Private sector involvement in Greek debt rollover, committed in principle by 30 financial institutions listed in the document released by the Institute of International Finance; target participation rate of 90%; exchange appears to result in Selective Default credit rating
* Voluntary participation options include exchanging existing debt into 15 or 30 year bond with AAA-guarantees of principal. Bonds exchanged at par will carry low coupons (4.25% effective), while bonds with higher coupons will be exchanged at a 20% discount

Source: Eurozone draft proposal July 21, 2011, IIF press release July 21, 2011

In addition to execution risk in Greece, we are left with 3 other concerns. The current EU-IMF lending facility capacity is Eur 255 bn, but we anticipate that as agreed, national parliaments will expand it to 440 bn. First concern: while that's to deal with problems in Greece, Portugal and Ireland, if you include Spain, it gets tight (note: the chart excludes costs to recapitalize banks). If Italy or Belgium entered Europe's Liquidity Hospital, a lot more money might be needed from European parliaments (in one worst-case scenario, Alliance Bernstein estimates that the EU lending facility would have to increase from 440 bn to 1.7 trillion Euros, mostly from Germany). Italy faces a multi-notch downgrade from Moody's, which is not going to help. As we discussed two weeks ago, Italy has been a model citizen in terms of running low budget deficits for 20 years, but still cannot escape the confines of its very large existing debt stock (120% of GDP).

Limited capacity at the European Liquidity Hospital

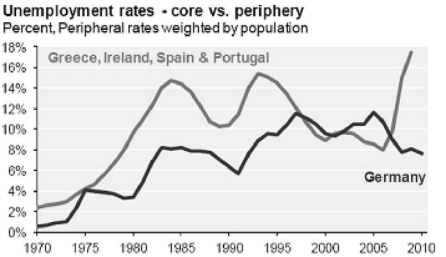
Official sector lending capacity vs sovereign funding needs (including deficits) through 2013 - Billions, EUR



Source: AllianceBernstein, Public Filings.

Second, as shown below, Europe is now a two-speed economy, with the periphery stuck in neutral (industrial production is one proxy for this; there are others, such as unemployment, consumption, export shares, etc). If the idea behind the EU/IMF effort is that austerity will boost growth and lead these countries back to the public markets, there is very little momentum in this direction. **If the status quo in the periphery does not change, all the EU package does is allow the current approach more time to fail.**

Source: INE, CSO, ISTAT, NSS, Eurostat, Bundesbank, J.P. Morgan Securities LLC, J.P. Morgan Private Bank. Periphery = Portugal, Ireland, Italy, Greece, Spain.

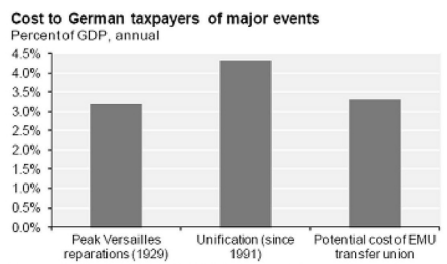


Source: J.P. Morgan Private Bank, Bank of Spain, Bank of Portugal, OECD, CSO, NSS, Bundesbank.

The third concern: Germany as paymaster. We are often told that Germans across both major parties are unflinching supporters of the European project, and will do whatever it takes to prevent a break-up. The objections from members of the Bundesbank are described as lonely voices of opposition that carry no weight [a]. **But how large are the costs going to be?** German politicians and voters may see current circumstances as exceptional, and that if they just agree to one more package, the problem will go away. However, we are starting to see analyses of how costly a permanent transfer union may be for Germany. Bernard Connolly at Hamiltonian Advisors sent me a recent paper from the *Centrum fur Europaische Politik* in Freiburg, which provides some clues. They see three alternatives for the deficit countries:

** massive reduction in regulations and unit labor costs to regain competitiveness
** exit from the EMU, re-introduction of national currencies
** permanent transfer union from surplus countries to deficit ones

On the last option, they estimate a "creditworthiness gap" in European deficit countries of Eur 108 billion in 2010. The gap measures how much European deficit countries rely on capital inflows to fund consumption, rather than investment (which contributes to future GDP). Germany's share of the European surplus is around ¾, so let's assume a pro-rata burden on Germany to maintain the transfer union. As a result, the theoretical economic cost could be 3.3% of German GDP every year, which as shown, gets close to some expensive episodes in German history. If German citizens were faced with costs this high, it could be a White Castle hamburger-throwing moment of national proportions.



Source: Carl-Ludwig Holtfrerich, Halle Institute for Economic Research, Zentrum fur Europaische Politik (Freiburg), J.P. Morgan Private Bank.

Source: Factset, MSCI.

Bottom line. At a time when European equities are trading close to 2009 lows relative to earnings and book value, this package could result in a relief rally for European equities, particularly banks. The chance of a disorderly default in 2011 has decreased markedly, and a process has been put in place to create more seamless transfers to areas (and banks) in need. But the size of the transfer union fund is not big enough to allay all concerns, particularly with Spain and Italy growing at anemic levels, and there is execution risk in Greece.

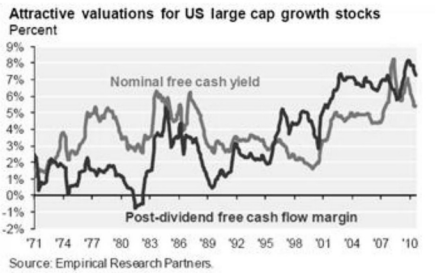
Recent bank stress tests conducted by the EU concluded that only Eur 2.5 billion of capital needs to be raised (70 to 80 billion sounds more reasonable to us). And in the package announced last week, the **following Orwellian clause** indicates how European policymakers feel about rating agencies these days:

Point 15. We agree that reliance on external credit ratings in the EU regulatory framework should be reduced, taking into account the Commission's recent proposals in that direction, and we look forward to the Commission proposals on credit ratings agencies

In Europe, denial appears to be an essential ingredient to the process (See "*Five Stages of Greece*", June 30, 2011). **Last week's package is a bold step towards Federalization and the worst-case outcomes have been avoided (money market failures, bank runs, etc), but markets will remain nervous about Europe**.

While we're waiting: large cap growth stocks

One day, the melodramas around US and European sovereign debt will end. While we're waiting, one of the asset classes that looks attractive is large cap growth stocks. As shown below (for a universe of 300 U.S. large cap growth stocks that meet certain earnings quality and stability factors), **free cash flow relative to both revenues and stock prices looks good compared to the last four decades**. This is where we believe investors should be adding exposure if they are underweight versus their desired equity allocations. This is also an asset class where active management can still provide a lot of value; the dispersion of large cap growth managers is higher than large cap core, large cap value and international equity manager dispersion.



Q2 earnings season in the US is off to a good start. Nearly 30% of the S&P has reported, and results have generally been positive. Earnings are beating consensus estimates by almost 4% (7.4% ex-financials), all ten sectors are beating on revenue targets, and only 7% of companies are reporting below-consensus earnings. Given earnings expectations for 2011 at $98.50, the S&P 500 is trading at a reasonable 13.5x forward multiple. However, y/y earnings growth expectations appear to be flattening out for both 2011 and 2012 at around 11%-12%. While Q2 earnings are doing well so far, some company guidance for the remainder of the year has been below consensus, which would be consistent with the recent batch of reports indicating a slowdown in manufacturing and service sector surveys.

Michael Cembalest
Chief Investment Officer

Notes

[a] Bundesbank President Weidmann, in response to last week's package: "By transferring significant risks to the support-giving countries and their taxpayers, the Euro area has taken a large step to socialising risks created by unsound government finances and macroeconomic problems. This weakens the foundations of the fiscal self-responsibility that EMU is built on".

CBO Congressional Budget Office
OMB Office of Management and Budget
EFSF European Financial Stability Facility
FICA Federal Insurance Contributions Act
EU European Union
IMF International Monetary Fund

IIF Institute of International Finance
ECB European Central Bank
EMU European Monetary Union
AMT Alternative Minimum Tax

A White Castle hamburger is smaller than its competitors' offerings, measuring 2.5 inches square.

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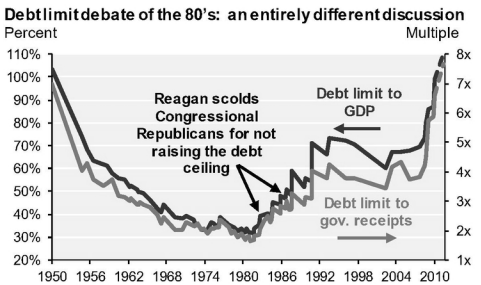

Source: OMB, BEA, J.P. Morgan Private Bank.

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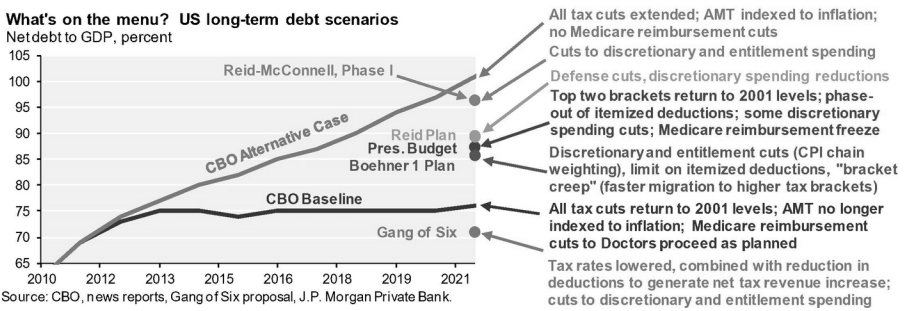

Source: CBO, news reports, Gang of Six proposal, J.P. Morgan Private Bank.

[1] On the AMT: the Tax Policy Center estimates that if the AMT is not indexed to inflation, it would impact 31 million filers in 2012 (and raise $132 billion in revenue), compared to 4 million filers in 2011 (and $39 billion in revenue).
[2] For example: the Gang of Six state that they used the President's budget as a baseline (scored by CBO in March 2011), reduced deficits by $3.7 trillion, and ended up with a 71% debt/GDP ratio; but they do not explain how they get to the President's baseline in the first place.

HOUSE_OVERSIGHT_025221

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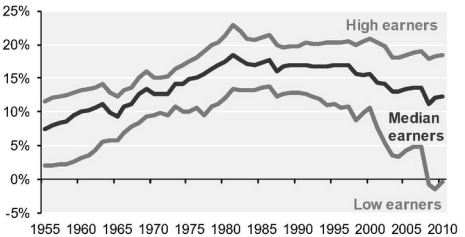
I have a feeling that revenue increases will be a material (e.g., 25% or more) part of the deal. The Peterson Foundation's sampling of 6 policy groups shown below indicate that 5 of 6 recommend revenue increases compared to where we are today; the Heritage Foundation's "*Woody Guthrie Memorial Budget Plan*" is the only exception. What kind of revenue increases? Raising the top two brackets, which would affect joint filers with adjusted gross incomes above $212,300, would raise $450-$700 billion over 10 years (depending on whether you use OMB or CBO numbers). If they cannot agree to raise *rates*, another option (as in the Gang of Six plan) would be reductions in the deductibility of state and local taxes, sales taxes, mortgage interest, etc. As this gets sorted out, let's hope everyone recognizes that the US tax system is already progressive. As shown in the chart below, effective Federal tax rates for low earners have dropped to zero over the last decade, even after including FICA taxes. News reports that the US tax system is regressive make me want to throw hamburgers at the screen.

Revenues and Spending	as a % of GDP	
	Revenues	Spending
Fiscal year 2011	15.3%	24.1%
Fiscal years 1950-1969	17.5%	18.1%
Fiscal years 1970-2010	18.0%	20.8%
Estimates for 2035:		
CBO alternative case	19.5%	33.9%
American Enterprise	19.9%	22.8%
Bipartisan Policy Center	23.1%	23.7%
Center for Am. Progress	23.8%	23.2%
Economic Policy Institute	24.1%	27.8%
Heritage Foundation	18.5%	17.7%
Roosevelt Institute	22.9%	24.8%

Source: OMB, CBO, Peterson Foundation 2011 Fiscal Summit.

What a progressive income tax system looks like
Combined effective federal income and FICA tax rates



Source: Tax Policy Center.

Europe: Finally (!!), but now what?

For the first time since 2009, it felt last week like European policymakers were trying to get out in front of things. In exchange for a modest amount of "private sector involvement", Germany agreed to more generous financing terms for Greece, Ireland and Portugal, and an expanded role for the EU-IMF lending facility (see following page). What would the plan accomplish if implemented? While Greek debt to GDP ratios would remain well over 125% of GDP (the IMF estimate for next year is a ridiculous 170%), Greece's near-term financing obligations would decline, due to debt buybacks, exchanges into long maturity bonds, and interest grace periods on new EU loans. More broadly, the plan also allows for money to be lent to countries *before* they enter into an IMF program, for recapitalization of banks. **All things considered, it's the broadest defense of the Monetary Union so far.** On paper, it even looks like a **free ride** for holders of Greek paper that don't participate in the debt exchanges (they would be paid at par). So, what's not to like? Well, there are still questions about Greece:

- There's a big difference between generous *financing* terms and generous *economic* terms. Greece must still meet an enormous 5%-6% primary budget surplus target (government revenues less spending, pre-interest) during a recession
- Greece must execute on its asset sale targets, despite having little success or experience doing this in the past
- Banks listed in the IIF document (the committee representing them) are under no binding legal obligation to participate in the debt exchanges, and may turn out to own less Greek debt than currently believed. [Note: bank participation in the Latin Brady bond era was high, since at the time, banks held almost all the paper, and in the form of illiquid loans].

The big question: **would Germany still live up to the deal** if Greece missed deficit targets or assets sales, if bank participation was too low, or if hedge funds (once referred to by the Chairman of the German Social Democratic Party as a "swarm of locusts") reaped large free rider windfalls? Ultimately, this is a political question. If "yes", Germany will underwrite Greece no matter what; if "no", then a broader, coercive Greek restructuring might follow in the not-so-distant future[3].

[3] This could get complicated. If there is a need for further debt forgiveness for Greece, will policymakers find a way to "ring-fence" the banks that participated in the first round, and impose losses just on the hold-outs? Will the EU tell banks that if they don't participate, their older bonds will not be eligible for financing at the ECB?

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What the EU gave: an easing of lending conditions, and an expanded role for the EU lending facility (EFSF)

* Another 109 bn for Greece, allowing the country to continue to pay off maturing debt (to those not participating in the exchanges)
* Rate on new EU loans to Greece, Portugal and Ireland cut to 3.5%, maturities on new & old loans extended from 7.5 to 15-30 years
* 10 year grace period on interest on new EU loans to Greece; the unpaid interest accumulates
* EU loan facility has the ability to buy sovereign debt in the secondary markets, including a plan to purchase 40 bn of Greek debt (most likely including much of the Greek debt purchased by the ECB)
* EU loan facility has the ability to lend to countries (even those not in an IMF program) to recapitalize their banks
* Language (with no specifics) regarding the use of EU structural funds to boost growth in Greece

What the EU gets: more austerity, Maastricht with teeth (?) and private sector involvement in Greek debt rollover

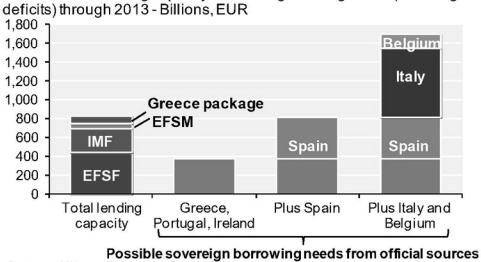
* Legally binding national fiscal framework to be developed by end of 2012; fiscal deficits brought to 3% by 2013 at the latest
* Private sector involvement in Greek debt rollover, committed in principle by 30 financial institutions listed in the document released by the Institute of International Finance; target participation rate of 90%; exchange appears to result in Selective Default credit rating
* Voluntary participation options include exchanging existing debt into 15 or 30 year bond with AAA-guarantees of principal. Bonds exchanged at par will carry low coupons (4.25% effective), while bonds with higher coupons will be exchanged at a 20% discount

Source: Eurozone draft proposal July 21, 2011, IIF press release July 21, 2011

In addition to execution risk in Greece, we are left with 3 other concerns. First, while there's enough in the EU-IMF lending facility[4] to deal with problems in Greece, Portugal and Ireland, if you include Spain, it gets tight (note: the chart excludes costs to recapitalize banks). If Italy or Belgium entered Europe's Liquidity Hospital, a lot more money might be needed from European parliaments (in one worst-case scenario, Alliance Bernstein estimates that the EU lending facility would have to increase from 440 bn to 1.7 trillion Euros, mostly from Germany). Italy faces a multi-notch downgrade from Moody's, which is not going to help. As we discussed two weeks ago, Italy has been a model citizen in terms of running low budget deficits for 20 years, but still cannot escape the confines of its very large existing debt stock (120% of GDP).

Limited capacity at the European Liquidity Hospital

Official sector lending capacity vs sovereign funding needs (including deficits) through 2013 - Billions, EUR

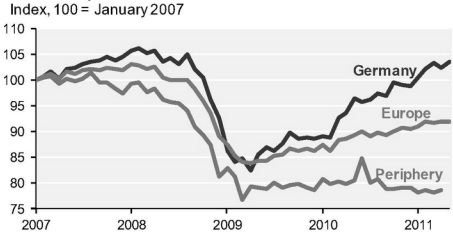


Source: AllianceBernstein, Public Filings.

Second, as shown below, Europe is now a two-speed economy, with the periphery stuck in neutral (industrial production is one proxy for this; there are others, such as unemployment, consumption, export shares, etc). If the idea behind the EU/IMF effort is that austerity will boost growth and lead these countries back to the public markets, there is very little momentum in this direction. **If the status quo in the periphery does not change, all the EU package does is allow the current approach more time to fail.**

Industrial production

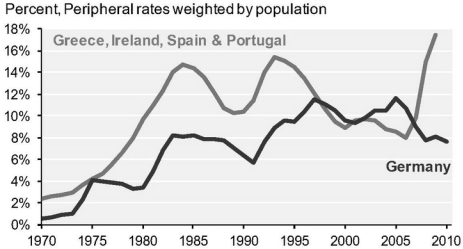
Index, 100 = January 2007



Source: INE, CSO, ISTAT, NSS, Eurostat, Bundesbank, J.P. Morgan Securities LLC, J.P. Morgan Private Bank. Periphery = Portugal, Ireland, Italy, Greece, Spain.

Unemployment rates - core vs. periphery

Percent, Peripheral rates weighted by population



Source: J.P. Morgan Private Bank, Bank of Spain, Bank of Portugal, OECD, CSO, NSS, Bundesbank.

[4] The current EFSF lending capacity is Eur 255 bn, but we anticipate that as agreed, national parliaments will expand it to 440 bn.

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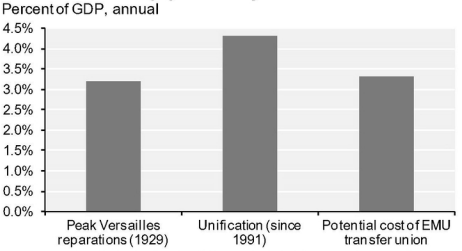
Topics: US debt ceiling negotiations, a more ambitious European bailout plan (finally), and how large cap growth stocks and rising corporate profits are patiently waiting for both of them to end

The third concern: Germany as paymaster. We are often told that Germans across both major parties are unflinching supporters of the European project, and will do whatever it takes to prevent a break-up. The objections from members of the Bundesbank are described as lonely voices of opposition that carry no weight[5]. **But how large are the costs going to be?** German politicians and voters may see current circumstances as exceptional, and that if they just agree to one more package, the problem will go away. However, we are starting to see analyses of how costly a permanent transfer union may be for Germany. Bernard Connolly at Hamiltonian Advisors sent me a recent paper from the *Centrum fur Europaische Politik*[6] in Freiburg, which provides some clues. They see three alternatives for the deficit countries:

- massive reduction in regulations and unit labor costs to regain competitiveness
- exit from the EMU, re-introduction of national currencies
- permanent transfer union from surplus countries to deficit ones

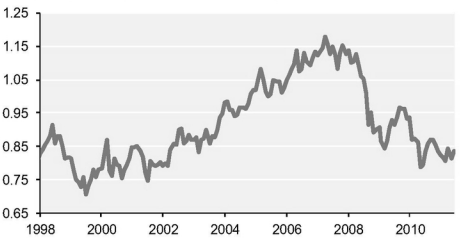
On the last option, they estimate a "creditworthiness gap" in European deficit countries of Eur 108 billion in 2010. The gap measures how much European deficit countries rely on capital inflows to fund consumption, rather than investment (which contributes to future GDP). Germany's share of the European surplus is around ¾, so let's assume a pro-rata burden on Germany to maintain the transfer union. As a result, the theoretical economic cost could be 3.3% of German GDP every year, which as shown, gets close to some expensive episodes in German history. If German citizens were faced with costs this high, it could be a White Castle hamburger-throwing moment of national proportions.

Cost to German taxpayers of major events
Percent of GDP, annual



Source: Carl-Ludwig Holtfrerich, Halle Institute for Economic Research, Zentrum fur Europaische Politik (Freiburg), J.P. Morgan Private Bank.

Europe equities, priced for the risks
Europe 10-yr trailing PE divided by US 10-yr trailing PE



Source: Factset, MSCI.

Bottom line. At a time when European equities are trading close to 2009 lows relative to earnings and book value, this package could result in a relief rally for European equities, particularly banks. The chance of a disorderly default in 2011 has decreased markedly, and a process has been put in place to create more seamless transfers to areas (and banks) in need. But the size of the transfer union fund is not big enough to allay all concerns, particularly with Spain and Italy growing at anemic levels, and there is execution risk in Greece.

Recent bank stress tests conducted by the EU concluded that only Eur 2.5 billion of capital needs to be raised (70 to 80 billion sounds more reasonable to us). And in the package announced last week, the **following Orwellian clause** indicates how European policymakers feel about rating agencies these days:

> *Point 15. We agree that reliance on external credit ratings in the EU regulatory framework should be reduced, taking into account the Commission's recent proposals in that direction, and we look forward to the Commission proposals on credit ratings agencies*

In Europe, denial appears to be an essential ingredient to the process (See "*Five Stages of Greece*", June 30, 2011). **Last week's package is a bold step towards Federalization and the worst-case outcomes have been avoided (money market failures, bank runs, etc), but markets will remain nervous about Europe**.

---

[5] Bundesbank President Weidmann, in response to last week's package: "By transferring significant risks to the support-giving countries and their taxpayers, the Euro area has taken a large step to **socialising risks created by unsound government finances** and macroeconomic problems. **This weakens the foundations of the fiscal self-responsibility that EMU is built on**".

[6] Centrum fur Europaische Politik, "*Creditworthiness trends in European countries*", Lüder Gerken & Matthias Kullas, 2011

HOUSE_OVERSIGHT_025224

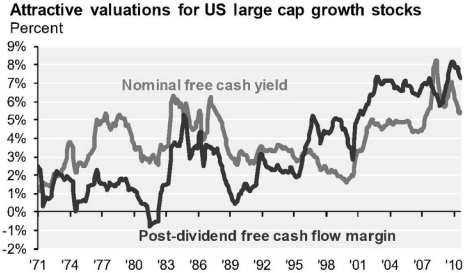
Topics: US debt ceiling negotiations, a more ambitious European bailout plan (finally), and how large cap growth stocks and rising corporate profits are patiently waiting for both of them to end

While we're waiting: large cap growth stocks

One day, the melodramas around US and European sovereign debt will end. While we're waiting, one of the asset classes that looks attractive is large cap growth stocks. As shown below (for a universe of 300 U.S. large cap growth stocks that meet certain earnings quality and stability factors), **free cash flow relative to both revenues and stock prices looks good compared to the last four decades**. This is where we believe investors should be adding exposure if they are underweight versus their desired equity allocations. This is also an asset class where active management can still provide a lot of value; the dispersion of large cap growth managers is higher than large cap core, large cap value and international equity manager dispersion.

Q2 earnings season in the US is off to a good start. Nearly 30% of the S&P has reported, and results have generally been positive. Earnings are beating consensus estimates by almost 4% (7.4% ex-financials), all ten sectors are beating on revenue targets, and only 7% of companies are reporting below-consensus earnings. Given earnings expectations for 2011 at $98.50, the S&P 500 is trading at a reasonable 13.5x forward multiple. However, y/y earnings growth expectations appear to be flattening out for both 2011 and 2012 at around 11%-12%. While Q2 earnings are doing well so far, some company guidance for the remainder of the year has been below consensus, which would be consistent with the recent batch of reports indicating a slowdown in manufacturing and service sector surveys.

Attractive valuations for US large cap growth stocks



Source: Empirical Research Partners.

Michael Cembalest
Chief Investment Officer

CBO	Congressional Budget Office
OMB	Office of Management and Budget
EFSF	European Financial Stability Facility
FICA	Federal Insurance Contributions Act
EU	European Union
IMF	International Monetary Fund
IIF	Institute of International Finance
ECB	European Central Bank
EMU	European Monetary Union
AMT	Alternative Minimum Tax

A White Castle hamburger is smaller than its competitors' offerings, measuring 2.5 inches square.

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From: US GIO [us.gio@jpmorgan.com]
Sent: 8/4/2011 11:41:48 PM
To: Undisclosed recipients:
Subject: On today's financial market developments
Attachments: 08-04-11 - EOTM - Market update.pdf

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"Here is what I plan to say at our Aspen Insights conference tomorrow about today's events. The last two weeks have been a severe setback for financial markets and the global recovery.

[1] Today, Italian equity markets sold off sharply and were eventually shut down after the ECB (for now) rejected being the buyer of last resort for Italian government bonds, as the markets were hoping. The Bundesbank apparently has objections to the idea. This is a problem: Italy has issued around as much public debt as Germany, but is a considerably smaller country with almost twice the debt load as a percentage of its GDP. Absent a decision by Germany to move to Federalism or a lot more debt monetization by the ECB, the European Monetary Union (as it is currently configured) could be facing its final stretch. Today's reported move by Italian regulators to seize documents at Moody's regarding declines in Italian bank stocks is an indication of the pressure the system is under, and the possible search for scapegoats. I don't think you will find a firm that has written more often and more direly about the structural inconsistencies of the EMU than we have (I have a 2-year bibliography of what we said and when, if anyone wants it). The "*Sick Men of Europe*" paper from February 2010 and "*Don Quixote Thanksgiving*" from November 2010 go into the greatest detail on why. Our concerns sky-rocketed upon Greece's financial disclosures in November 2009, after which we took portfolio decisions to back that up, purging exposures to the GIPSI countries from our credit, government bond and equity portfolios. Since early 2010, our underweight positions in Europe represent the largest regional underweights we have ever held.

[2] Will there be another recession in the US? Our friend Marty Feldstein at Harvard puts the odds at 50-50. Sell side and buy side economists missed last month's US economic rollover by a country mile, so I am not sure how much weight to put in their current forecasts. Most summarily dismissed our concerns that the recovery earlier this year had elements of a stimulus-driven mirage. Bridgewater Associates was the only firm we spoke to that consistently highlighted the broader process of household deleveraging; and cautioned that when stimulus faded, so would the US economy, given the weakness in household income. Their insights have been invaluable to us in terms of not stepping into this and taking too much risk prematurely during the three market swoons this year. Our central scenario for the US in 2012 is not another recession, but low growth in the 2.0% range, which is enough of a problem given the low job creation that entails. Note that the CBO assumes growth rates of 3.0% to 3.6% over the next few years in their analyses of future US federal debt levels.

[3] Do not blame today's events on the debt ceiling debate, US politicians or European regulators. If we get to the point where economic and profit fundamentals in a given market or region are not sustainable on their own, then we should be underweight that region (as in Europe). Owning an asset class under the assumption that there will always be a "*Lord of the Flies*" type rescue from Central Banks and Treasuries is very risky, and historically, fraught with failure. I remember similar logic in the summer of 1998, when the accepted mantra was that the US would bail out Russia and Boris Yeltsin, since President Clinton would not want to see a nuclear power like Russia slide back into Soviet rule, or anarchy (that view turned out to be wrong). Anyone market-weight European risk out of the expectation that "Trichet and Merkel will fix surely it" is taking a binary risk that impossible to handicap. Similarly, we should not start buying anything just because we think Qe3 is coming in the US (in the form of securities purchases, a permanently controlled long bond, etc).

[4] When we began this year, I made the following decision: **we would risk underperforming if there was a strong equity rally, out of concerns about the macroeconomic landscape (weakness in the West, inflation in the East).** As a result, we have held less equity exposure than usual for a period of high margins, low P/E multiples and strong earnings. Instead, we've held larger exposures to investment grade and high yield credit, and hedge funds. Over the last couple of years, our hedge funds (long-short funds with low net positions, macro hedge funds, distressed credit) have

helped cushion portfolio returns when markets declined. We won't know until the data comes in, but we expect the same to happen this time.

[5] The "Eye on the Market" has endlessly chronicled this year the fissures which are now affecting financial markets: European sovereign risk and inadequate bank capitalization; weak labor compensation as an Achilles heel of the US profits recovery, given its negative impact on spending; the political divide in Congress over how to deal with falling government revenue and rising entitlement spending; inflation risks in Asia and Latin America and the resulting need for more policy tightening; and the mixed track record of low interest rates to sustainability solve structural problems. The cover of the 2011 Outlook (a printing press, out of control) expressed our concern regarding a recovery built upon a stimulus machine. I would contrast this with the cover of a competitor's 2011 publication, which had a picture of George Washington crossing the Delaware, with the caption "America's structural resilience, fortitude and ingenuity will carry the economy and financial markets in 2011 – and beyond". **Our job is not to point to where we would like the financial markets to go, but rather to point to where they might end up**. It's like the scene in Oliver Stone's *Nixon*, when Nixon looks up at a portrait of JFK and says, "*When they look at you, they see what they want to be. When they look at me, they see what they are*." Our job is to see financial markets for what they are.

[6] All that said, we have lessons to learn here.

Too many of our investment discussions this year focused on the negative real return characteristics of cash, and why to reduce it. In a world of deflation risk on financial assets (rather than of goods and services), cash retains substantial option value at times like these.

We could have connected the dots more aggressively on our views on weak growth and easy monetary policy, and owned more gold. While we have had rising price forecasts for gold and owned it in portfolios, we did not have large enough allocations.

Given the all-time high of US government transfers to households and negative real interest rates, we should not have interpreted positive economic data earlier this year as being highly representative of the true run-rate of the US economy. The same goes for the global economy, which has been the beneficiary of a lot of stimulus that is now fading, for a variety of economic and political reasons.

Great corporate profits are no guarantee against a problem in financial markets. Corporate profits and P/E multiples were fine in June 2007, but rested on top of a systemic problem in private sector credit markets and private sector balance sheets. This year, strong corporate profits and low P/E multiples sit on top of systemic problems in public sector finances.

[7] In the wreckage, as usual, there are opportunities, and we will be reviewing them with you in the days ahead. There is a benefit to having held back on our firepower this year. With risk to spend held in reserve, there are oversold assets with considering, particularly among multinationals with strong balance sheets, high dividends and which trade at very low multiples, something we reviewed earlier in the week."

Michael Cembalest
Chief Investment Officer

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Today

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"Here is what I plan to say at our Aspen Insights conference tomorrow about today's events. The last two weeks have been a severe setback for financial markets and the global recovery.

1. **Today, Italian equity markets sold off sharply and were eventually shut down after the ECB (for now) rejected being the buyer of last resort for Italian government bonds, as the markets were hoping. The Bundesbank apparently has objections to the idea.** This is a problem: Italy has issued around as much public debt as Germany, but is a considerably smaller country with almost twice the debt load as a percentage of its GDP. Absent a decision by Germany to move to Federalism or a lot more debt monetization by the ECB, the European Monetary Union (as it is currently configured) could be facing its final stretch. Today's reported move by Italian regulators to seize documents at Moody's regarding declines in Italian bank stocks is an indication of the pressure the system is under, and the possible search for scapegoats. I don't think you will find a firm that has written more often and more direly about the structural inconsistencies of the EMU than we have (I have a 2-year bibliography of what we said and when, if anyone wants it). The "*Sick Men of Europe*" paper from February 2010 and "*Don Quixote Thanksgiving*" from November 2010 go into the greatest detail on why. Our concerns sky-rocketed upon Greece's financial disclosures in November 2009, after which we took portfolio decisions to back that up, purging exposures to the GIPSI countries from our credit, government bond and equity portfolios. Since early 2010, our underweight positions in Europe represent the largest regional underweights we have ever held.

2. **Will there be another recession in the US? Our friend Marty Feldstein at Harvard puts the odds at 50-50.** Sell side and buy side economists missed last month's US economic rollover by a country mile, so I am not sure how much weight to put in their current forecasts. Most summarily dismissed our concerns that the recovery earlier this year had elements of a stimulus-driven mirage. Bridgewater Associates was the only firm we spoke to that consistently highlighted the broader process of household deleveraging; and cautioned that when stimulus faded, so would the US economy, given the weakness in household income. Their insights have been invaluable to us in terms of not stepping into this and taking too much risk prematurely during the three market swoons this year. Our central scenario for the US in 2012 is not another recession, but low growth in the 2.0% range, which is enough of a problem given the low job creation that entails. Note that the CBO assumes growth rates of 3.0% to 3.6% over the next few years in their analyses of future US federal debt levels.

3. **Do not blame today's events on the debt ceiling debate, US politicians or European regulators. If we get to the point where economic and profit fundamentals in a given market or region are not sustainable on their own, then we should be underweight that region (as in Europe).** Owning an asset class under the assumption that there will always be a "*Lord of the Flies*" type rescue from Central Banks and Treasuries is very risky, and historically, fraught with failure. I remember similar logic in the summer of 1998, when the accepted mantra was that the US would bail out Russia and Boris Yeltsin, since President Clinton would not want to see a nuclear power like Russia slide back into Soviet rule, or anarchy (that view turned out to be wrong). Anyone market-weight European risk out of the expectation that "Trichet and Merkel will fix surely it" is taking a binary risk that impossible to handicap. Similarly, we should not start buying anything just because we think Qe3 is coming in the US (in the form of securities purchases, a permanently controlled long bond, etc).

4. When we began this year, I made the following decision: **we would risk underperforming if there was a strong equity rally, out of concerns about the macroeconomic landscape (weakness in the West, inflation in the East).** As a result, we have held less equity exposure than usual for a period of high margins, low P/E multiples and strong earnings. Instead, we've held larger exposures to investment grade and high yield credit, and hedge funds. Over the last couple of years, our hedge funds (long-short funds with low net positions, macro hedge funds, distressed credit) have helped cushion portfolio returns when markets declined. We won't know until the data comes in, but we expect the same to happen this time.

5. The "Eye on the Market" has endlessly chronicled this year the fissures which are now affecting financial markets: European sovereign risk and inadequate bank capitalization; weak labor compensation as an Achilles heel of the US profits recovery, given its negative impact on spending; the political divide in Congress over how to deal with falling government revenue and rising entitlement spending; inflation risks in Asia and Latin America and the resulting need for more policy tightening; and the mixed track record of low interest rates to sustainability solve structural problems. The cover of the 2011 Outlook (a printing press, out of control) expressed our concern regarding a recovery built upon a stimulus machine. I would contrast this with the cover of a competitor's 2011 publication, which had a picture of George Washington crossing

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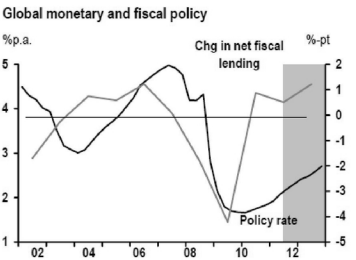
Today

the Delaware, with the caption "America's structural resilience, fortitude and ingenuity will carry the economy and financial markets in 2011 – and beyond". **Our job is not to point to where we would like the financial markets to go, but rather to point to where they might end up**. It's like the scene in Oliver Stone's *Nixon*, when Nixon looks up at a portrait of JFK and says, "*When they look at you, they see what they want to be. When they look at me, they see what they are.*" Our job is to see financial markets for what they are.

6. All that said, we have lessons to learn here.

Too many of our investment discussions this year focused on the negative real return characteristics of cash, and why to reduce it. In a world of deflation risk on financial assets (rather than of goods and services), cash retains substantial option value at times like these.

We could have connected the dots more aggressively on our views on weak growth and easy monetary policy, and owned more gold. While we have had rising price forecasts for gold and owned it in portfolios, we did not have large enough allocations.



Given the all-time high of US government transfers to households and negative real interest rates, we should not have interpreted positive economic data earlier this year as being highly representative of the true run-rate of the US economy. The same goes for the global economy, which as shown in the chart from JP Morgan Securities, has been the beneficiary of a lot of stimulus that is now fading, for a variety of economic and political reasons.

Great corporate profits are no guarantee against a problem in financial markets. Corporate profits and P/E multiples were fine in June 2007, but rested on top of a systemic problem in private sector credit markets and private sector balance sheets. This year, strong corporate profits and low P/E multiples sit on top of systemic problems in public sector finances.

7. In the wreckage, as usual, there are opportunities, and we will be reviewing them with you in the days ahead. There is a benefit to having held back on our firepower this year. With risk to spend held in reserve, there are oversold assets with considering, particularly among multinationals with strong balance sheets, high dividends and which trade at very low multiples, something we reviewed earlier in the week."

Michael Cembalest
Chief Investment Officer

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From: Sultan Bin Sulayem [redacted]
Sent: 8/12/2011 2:43:12 PM
To: Jeffrey Epstein [jeevacation@gmail.com]

Importance: High

Newsmax.com
Laffer: Obama Must Use Reaganomics to Save Economy The only way President Barack Obama can solve the nation's economic woes is to adopt "common-sense" Reaganomics, the policy's architect Arthur Laffer claims in an exclusive Newsmax interview.

Laffer said the White House called him in the spring and asked him to speak to Obama's former Council of Economic Advisors' chairman Austen Goolsbee – and he had told him exactly the same thing.

"Reaganomics would fix any economy that's in the doldrums," Laffer said. "It's not a magic sauce, it's common sense.

"You've got to get rid of all federal taxes in the extreme and replace them with a low-rate flat tax on business net sales, and on personal unadjusted gross income. That's number one.

"Number two, you have to have spending restraint. Government spending causes unemployment, it does not cure unemployment.

"Number three, you need sound money. Ben Bernanke is running the least sound monetary policy I've ever heard of," Laffer said.

"Number four you need regulations, but you don't need those regulations to go beyond the purpose at hand and create collateral damage. The regulatory policies are really way off here.

"And lastly you need free trade," Laffer said. "Foreigners produce some things better than we do and we produce some things better than foreigners. It would be foolish in the extreme if we didn't sell them those things we produce better than they do in exchange for those things they produce better than we do."

In the interview the veteran economist said Standard & Poor's was quite right in downgrading the U.S. credit rating – in fact it should have done so far earlier.

The agency had no choice and if the other agencies, Moody's and Fitch, don't do the same they won't be doing their jobs, said Laffer, who gave his name to the Laffer Curve which demonstrates that the maximum amount of government revenue does not come at the point of maximum taxes.

"If you had a company that had revenues of $2½ million and expenses of $4 million, with no change in sight, $1½ million in losses each year as far as the eye can see and it had already borrowed $10 million, what would you rate that company? I surely wouldn't rate it AAA.

"That is the U.S. situation today," Laffer said. "Taxes are about $2½ trillion, government spending is about $4 trillion and we have about $10 trillion in net national debt. I don't see that as being a AAA country.

"If the S&P and the others were doing their jobs correctly, they should have downgraded a long time ago."

Laffer said he has no doubt the country will win its top rating back, but only when economic policies are

completely turned around. He said President Barack Obama's administration's only economic plan seemed to be to expand government ownership of the means of production.

"They have nationalized the health care industry pretty extensively. They've done that with home building as well. They've tried it with the auto industry as well. So they have moved very, very deliberatively and purposefully toward extending the government ownership of the means of production.

"That to me, if you read the tealeaves, is what they are doing. It is not what they are saying they are doing, but that is what they actually are doing.

"People don't work to pay taxes, people work to get what they can after taxes. It's that very private incentive that motivates them to work. If you pay people not to work and tax them if they do work, don't be surprised if you find a lot of people not working."

Laffer said the current economic woes started to form under President George W. Bush but have been made worse by Obama's policies.

"There's a wedge driven between wages paid and wages received and that wedge is the tax/government spending wedge," he said.

"That wedge has grown dramatically in the last 4 ½ years…under W and a Republican administration and…under Obama. Bipartisan ignorance has led us to this very disastrously desolate state."

Laffer had high praise for the role the tea party has played in bringing the problem of the deficits to the fore.

"The tea party is not the problem, the tea party may well be the solution," he said. "They are critical to the future of the country in a positive way. They are the only fiscally sound people I know out there all the time.

"I don't know that I would go as far as they go on a lot of issues but I surely respect their movement very much."

And he said any one of the group of Republicans vying for the party's nomination for the White House would make " a great president."

"Tim Pawlenty is spectacular. Newt Gingrich knows more about issues than anyone you've ever seen. Michele Bachmann is out-of-sight wonderful," he said.

"Rick Perry is second to no one in this stuff. If you look at Herman Cain, he's phenomenal.

"Oh and (Jon) Huntsman was a great governor of the state of Utah and is a phenomenally experienced intellectual competent man.

"When you look at the Republican candidates, you see a group of people who are absolutely outstanding in attributes."

NOTE: This e-mail message is subject to the Dubai World Group disclaimer
see http://www.dubaiworld.ae/email_disclaimer

Date: Friday, December 16 2011 06:41 PM
Subject: Approach Summary
From: Christina Galbraith <[redacted]>
To: Jeffrey Epstein <jeevacation@gmail.com>;
Attachments: Picasso Overview_pdf.html; Untitled attachment 63876.htm; RepDef-Process-Deck_pdf.html; Untitled attachment 63879.htm; company-overview_pdf.html; Untitled attachment 63882.htm

1. Optimizing good information to push down the negative: using new content (blog, websites, press releases, public network profiles, google images, etc) and search engine optimization. Changing the Wikipedia profile. Notes Wikipedia below.
2. *Eliminating* the bad information using prevalence and proprietary algorithms; redirecting the way in which Google sequences your information (reassociating it with the positive content). This is called off-page optimization.
3. Eliminating personal information (social sec, tel #'s, dob, addresses etc) from all public and private directories.

COMMENTS:

Step 2 is *critical* otherwise one is just bailing water from an ongoing flood of negative press. By realigning the algorithms (i.e. reinforcing positive associations with your name and weakening the negative associations), one almost permanently seals up the water hole or at least closes it significantly. This allows for Step 1 to be a onetime project (which will take 2 to 4 months approx.), with just tweaking here and there down the road with updated content.

BEST PEOPLE TO USE:

You need people who eat, drink and sleep algorithms and search engine optimization. I've researched several companies and the most skilled, discrete, award winning and comprehensive is a company called, www.reputation.com based in Silicon Valley. See their attached docs for review. Below are bulleted key points on them:

Lookup Page just creates web pages and will not solve your problem.

I would serve as a liaison between you and Reputation. I would monitor their progress and provide them with all positive content that they need. They would make sure that the content has maximum algorithmic potential. You could keep your positive content simple (using you Edge.org summary which is good), or expand your content with updates on current science work and scientists. The benefit of the former, is that it keeps you more anonymous. The benefit of the latter is that is algorithmically associates you to a larger pool of known scientists, further pushing up positive content. My advice would be to combine the two: a simple repetitive bio summary of you but with a larger list of scientists added on. But I would ask the Reputation team about this: saying that the main goal is to enhance anonymity and algorithmic associations at the same time.

WHY REPUTATION (in no particular order)

- Represents numerous fortune 500 companies
- clients in more than 100 countries
- based in Silicon Valley
- Featured on CNN, WSJ, Forbes, NY Times etc
- Undisputed world leader in online reputation management
- Prevalence and proprietary algorithms to drive positive search results to the top.
- Intimate knowledge of search engine optimization.
- 200+ employees
- Patented Internet technology

- Partnered with: American Medical Assoc. Am Bar Assoc, Aol, etc
- $67 million in venture capital to date.
- CEO is Michael Fertik

CEO and Founder
Michael Fertik founded Reputation.com in 2006 with the belief that people have the right to control and protect their online reputation and privacy. In addition to his work with Reputation.com, Michael holds a position on the advisory board of The Internet Keepsafe Coalition (iKeepSafe), a nonprofit that works to protect the health and safety of youth online. Michael is regarded as one of the earliest pioneers of online reputation management and a leading expert on issues of online privacy. He co-authored the book *Wild West 2.0* and lectures internationally, appearing before professional and academic audiences. Michael also advises school administrators and parent groups. Prior to founding Reputation.com, Michael clerked for Chief Judge Danny J. Boggs of the Sixth Circuit Court of Appeals of the United States. He is a graduate of Harvard College and Harvard Law School, speaks several languages, and enjoys sailing, reading, and running.

TIME FRAME & FEES

Their "Picasso" Tech services described in step 2, will take approx. 3 months to eliminate bad press from the 1st and 2nd page. The whole process will take about a year to be solidified. Fees will be approx. $10k -$15k per month but depends on each case and costs can be kept down by providing content and selecting only truly necessary services.

WIKIPEDIA

This is a tough nut to crack. And I need to do more research on this. Wiki comes up first on the Google list due to its powerful domain and contains totally lopsided and damning content on you.

But we'll crack it. On the surface, Wiki is controlled by a morass of copyediting geeks who have nothing better to do than to discuss reference tags etc. It is also 'the people's' encyclopedia, dictated by the tyranny of the majority—so no objectivity at all.

Current Strategy— 1. The Reputation group have a copyright team dedicated to balancing the content on Wikipedia and gradually sectioning the bad stuff down to sub categories in the profile. They don't seem to be able to eliminate the bad though. 2. So, I think it's worth seeing how people like Prince Andrew managed to create an absolutely stellar profile—or Bill Clinton for that matter. No mention of his impeachment or lying to the Grand Jury. It barely touches on Lewinsky etc. 3. There are also protected pages on Wiki but I need more time and research.

WEBSITE

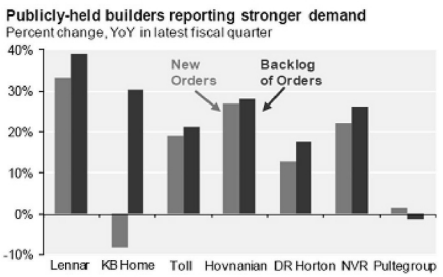
You need to update your website immediately by adding the bio on you from The Edge if you can and adding a longer summary of science and scientists that you are/have worked with.

From: US GIO [us.gio@jpmorgan.com]
Sent: 4/9/2012 2:11:03 PM
To: Undisclosed recipients:
Subject: J.P. Morgan Eye on the Market, April 9, 2012
Attachments: image013.png; image014.png; image015.png; image016.png; image017.png; image018.png; image020.png; image022.png; image024.png; image026.png; 04-09-2012 - EOTM - The Day of the Triffids.pdf

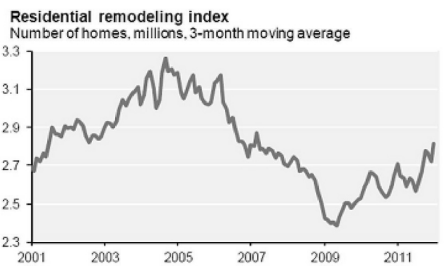
Eye on the Market, April 9, 2012 (*attached pdf is easier to read this week*)
Topics: Q&A on the USA, with a watchful eye on the risk of giant man-eating plants; Spain

Our view for 2012 was that economic and equity market conditions in the US and Asia ex-Japan would be better than in Europe. So far, that view is on track. Spain in particular is in difficult shape (see page 5); its banks and government may have to borrow 1.5 trillion Euros over the next 12 months while in recession. Both the ECB and EU will need to keep the spigot open to prevent Spain from becoming a bigger problem. This week, some Q&A on the US recovery, flows into bonds and stocks, profits and P/E multiples, municipal bonds, and the long-term US fiscal situation.

The Fed appears to be saying that no additional monetary easing is needed unless the economy worsens further. Are there any signs that the US recovery is becoming self-reinforcing?
Durable goods consumption, equipment & software spending, vehicle sales, bank loans to companies, manufacturing payrolls (even after Friday's disappointing report) and housing stats (building permits, multifamily housing starts) have improved over the last few months. While delinquency rates are in better shape (credit card delinquencies are back to 2007 levels), household credit growth is still weak. However, homebuilders are seeing stronger demand, and nationwide remodeling continues to rise. We see opportunities in retailing and building products companies that may benefit from a continuation in these trends.

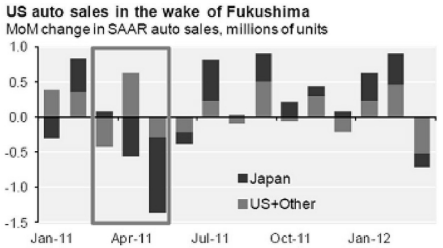


Source: Corporate Reports. Empirical Research Partners.

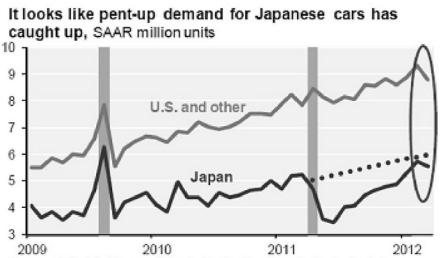


Source: BuildFax. Empirical Research Partners.

Has the data really been that good? I heard better US economic data has a lot to do with the weather.
Parts of the US experienced the warmest March in recorded history. Measured from December to February, the winter was the 4th warmest on record. I don't think there are reliable models to estimate the impact of demand being pulled forward, so we will have to see how consumer spending, housing and payrolls behave in the months ahead. As our Chief Economist Michael Vaknin reminds me, other distortions come from the **"catch-up" effect from Japan's tsunami**. As shown below, some strength in auto sales came from pent-up demand for Japanese cars, a process which now seems complete.



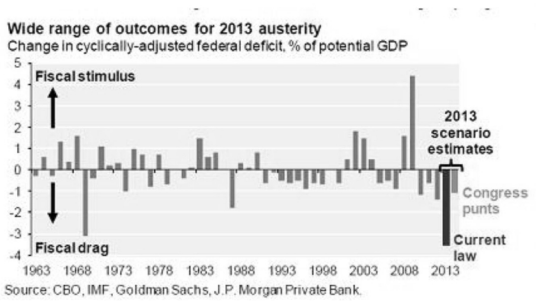
Source: BEA/Wards, DB, J.P. Morgan Private Bank. Box indicates impact of Japanese earthquake.



Source: DB, J.P. Morgan Private Bank. Shadings indicate Cash for Clunkers and Japanese earthquake, respectively.

So where does that leave the US payroll and growth picture?
The weakness in the payroll report was almost entirely concentrated in retailing. Net of distortions and seasonal adjustments, it looks like payroll growth is running at 150-175k per month, and GDP growth is running at a 2.25% trend pace, both below prior recoveries. While 2.25% is a barn-burner compared to Europe, it only corresponds to a modest improvement in employment. **That's why 2013 US fiscal policy is so important: this is not a recovery that can withstand much tighter fiscal conditions.**

So, how tight is US fiscal policy supposed to get next year?
Very, if you look at what is *supposed* to happen according to current law. In the chart, we show the annual change in the budget deficit over the last 25 years. The impact of all provisions *scheduled* to expire and kick in during 2013 would be very large. But if Congress and the President elect to extend current tax rates, retain lower payroll tax rates and extended jobless benefits, etc, the adjustment would not be as big, and only reflect expiration of Recovery Act provisions, the recently passed Budget Control Act, and some other smaller provisions. There are of course plenty of permutations in between.



Source: CBO, IMF, Goldman Sachs, J.P. Morgan Private Bank.

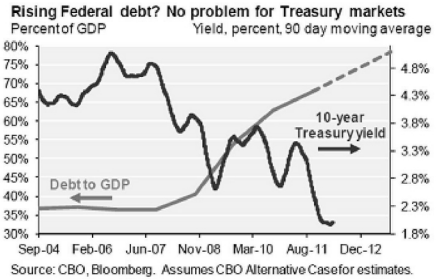
Policies set to expire or take effect under current law	Fiscal Drag (% of 2013 PGDP)
Sequester Automatic Cuts (Discretionary Spending)	-0.4%
Sequester Automatic Cuts (Mandatory Spending)	-0.1%
Bush Tax Cuts ($250k+ Incomes, Estate Tax)	-0.3%
Bush Tax Cuts (Middle Income)	-0.9%
Alternative Minimum Tax	-0.8%
Payroll Tax Cut	-0.6%
Emergency Unemployment Compensation	-0.2%
Affordable Care Act	-0.2%

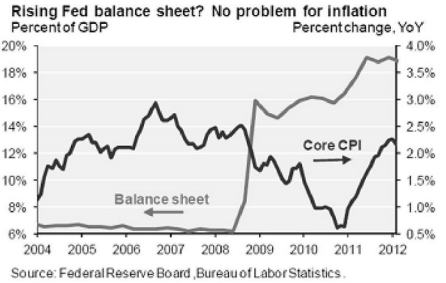
Source: CBO, Goldman Sachs.

What direction is the Congress heading, and what did Larry Summers and Brad DeLong have to say about this recently?
Political outcomes this fall will affect what Congress does, but I get the sense that they will punt fiscal adjustments into the future if they can, and impose austerity of no more than 1% of GDP in 2013. If so, Congress can point to a March 2012 paper by Summers and DeLong as justification. The bottom line from the paper: **don't tighten fiscal policy when interest rates are near zero**. The authors assert that (a) additional government spending can *ease* the long-term budget constraint in conditions similar to today's, and (b) tightening policy now would risk permanent loss of human capital, lower labor productivity growth and lower trend growth. They have held these views for a while; the paper appears designed to convince others.

Advocates for more fiscal and monetary stimulus often point to the charts below. Rising Federal debt has not resulted in higher interest rates, so why not keep borrowing more? As for the Fed, balance sheet expansion prevented deflation and

hasn't resulted in an inflationary surge (core inflation measured over 3 months just came in *below* 2%), so why not keep doing it? **Aren't these charts amazing?**





They are amazing, but no one knows how long they can be sustained. Even Summers and DeLong concede that "*even if it is granted that the stimulus can be both timely and temporary, the question of how large it can be while preserving these attributes remains for future research*". If one of these trends could not be sustained, my guess is that it would be fiscal constraints rather than monetary ones. While it's great to see rising Federal debt not adversely affecting Treasury markets, the chart on the left reminds me of *The Day of the Triffids*.

What is ***The Day of the Triffids***?

It's a 1951 science fiction novel. There's a meteor shower, and most people go outside to look at it. The next morning, everyone who looked at the meteor shower ends up blind, and Earth is taken over by giant man-eating venomous plants. The point: **some amazing events which look benign have unforeseen consequences**. Will a pact of going for growth pay the freight of higher Federal debt in the long run? Hard to say; there are not a lot of examples to draw from. Economic theories and their associated debt bubbles don't always work out as planned [a]. After WWII, the US also faced a debt ratio of 80% of GDP. Austerity was not the answer back then; government receipts and outlays as a % of GDP did not change much during the 1950's, and net debt was flat. **So how did US debt/GDP fall from 80% to 46% in just ten years?** Robust annualized real growth of more than 4.0%, and 2.0% inflation. However, unique economic conditions and productivity gains of the 1950's (e.g., interstate highway, rebuilding of Europe and Japan) may not be repeated, and the country was not headed into an entitlement time bomb. If the US does not experience a growth/productivity boom, the burden of higher debt could last for a generation or more. A pro-growth Administration would probably help, but the difficulty lay in defining exactly what that means.

Isn't it amazing?

1950's debt reduction was based on growth, not austerity

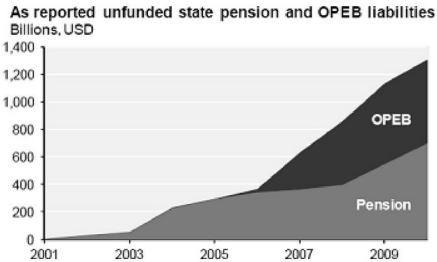
	Net debt (% of GDP)	Net debt (bn)	Nominal GDP (bn)	Real GDP (bn 1950 USD)	Outlays (% of GDP)	Receipts (% of GDP)
1950	80%	$219	$273	$273	16%	14%
1951	67%	$214	$320	$302	14%	16%
1952	62%	$215	$349	$322	19%	19%
1953	59%	$218	$373	$341	21%	19%
1954	60%	$224	$377	$343	19%	19%
1955	57%	$227	$396	$354	17%	17%
1956	52%	$222	$427	$368	17%	18%
1957	49%	$219	$451	$377	17%	18%
1958	49%	$226	$460	$377	18%	17%
1959	48%	$235	$490	$398	19%	16%
1960	46%	$237	$519	$415	18%	18%
Comp. ann'l gr:	0.8%		6.6%	4.3%		

Source: OMB, BEA.

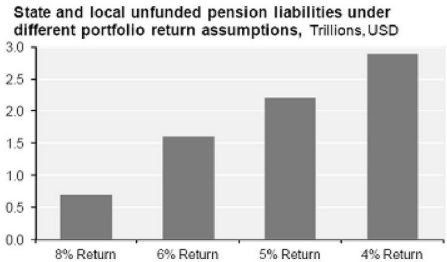
Are there debt vs austerity parallels at the state and local level?

Yes and no. At the state and local level, over last decade, more than 1 trillion in unfunded pension and healthcare (OPEB) related liabilities were recognized (they were accrued over a longer period). Even these "as-reported" estimates, which

come from the states, may be underestimated. A 2011 analysis by the Joint Economic Committee shows that lower portfolio return assumptions on pension assets sharply increase the magnitude of underfunded pensions (see chart, right).



Source: State Comprehensive Annual Financial Reports.



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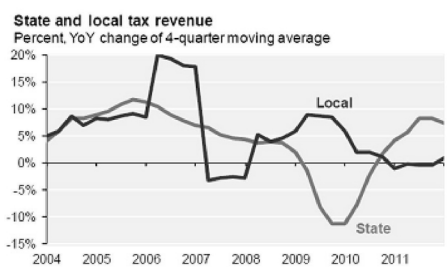
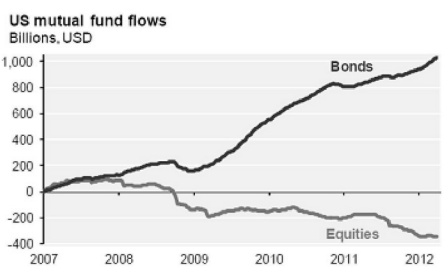
However, there's more of an effort at the state/local level to address this issue than at the Federal level. More than 40 states lowered pension benefit liabilities over the last 3 years according to the National Conference of State Legislatures. Measures taken include raising employee contributions (while lowering employer payments), raising minimum retirement ages, cutting post-employment healthcare benefits and in some cases, switching to defined contribution from defined benefit plans.

The good news, to paraphrase Mark Twain, is that reports of municipal bonds' demise have been greatly exaggerated. From 1970 through to the end of 2011, municipal bonds rated by Moody's experienced a grand total of 71 defaults among 17,700 issuers (11 of which occurred during 2010 and 2011). General obligation bonds accounted for 5 defaults; 29 were related to housing; 22 for hospitals and healthcare; 3-4 each for education and infrastructure. Utilities and cities registered 2 each, while counties, special districts, and water & sewer and experienced 1 each. The average recovery for defaulted munis was 65%, compared to 49% on corporate senior unsecured bonds. Last comment on municipals: while *local* tax collections are weak due to the collapse in home prices, *state* tax collections have been increasing for 7 quarters in a row.



Source: US Census.



Source: Investment Company Institute.

OK, so the US economy is improving, but is still heavily dependent on monetary and fiscal stimulus to grow; and the only belt-tightening one can find is at the state and local level. Since 2009, after equities collapsed and bond prices rose, how have many investors reacted?

By selling more equities and buying **a lot** more bonds. See chart above (a global version of this chart looks roughly the same).

Have investors been positioning this way since stocks are expensive?

Not really. Insert a giant martini glass on the chart below from 1998 to 2001 (I hate using simple averages which include periods when the market had lost its collective mind). The current P/E multiple is in the middle of the ex-bubble range of the last 25 years. Some bank stocks look interesting, even after accounting for reliance on shrinking loan loss reserves to

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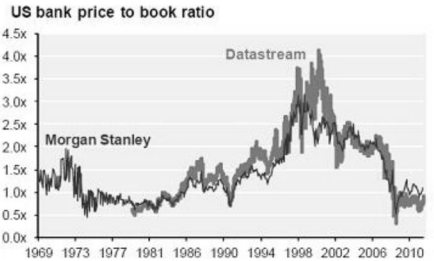
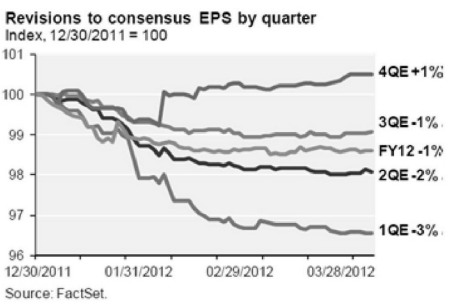


Now that P/E multiples have risen off the bottom, what's the outlook for P/E multiples and earnings from here?
The return on the S&P this year has been a function of P/E multiples rising (from 11.3x to 12.9x), a big part of which has been Apple (3% of the S&P index, 15% of S&P's YTD returns). As shown below, earnings revisions have been negative for 2012, but analysts are still optimistic about 2013. According to Morgan Stanley, analysts are forecasting the highest percentage of companies posting 2013 margin expansion since 1970, and by a very wide margin. In our view, it will be difficult for multiples to rise further unless earnings outperform expectations, particularly if Europe's structural problems take center stage again.



The place that worries me the most: **Spain**. It ranks at or close to the bottom in a lot of categories (see table), and its growth outlook is poor. Historically, this kind of thing has not ended well. Spain has defaulted 13 times since 1500 AD; it's probably going to take a lot of bilateral aid and ECB financing to prevent another one.

Win, Place and Show: The problem of Spain	The only country I can find that's in worse shape than Spain is:
Number of dwellings to population	Greece
Non-financial corporate debt to GDP	Ireland
Corporate sector debt to cash flow	Portugal
Construction sector debt/assets	None
Banking sector branches per 1,000 people	None
Reliance on foreign capital (Net Int. Inv. Pos.)	Ireland, Portugal
Real estate as % of household assets	None
Housing overhang (as per CEPS)	Ireland
Commercial RE exposure % of bank assets	None
Encumbered banking system assets, %	Greece
World Bank labor rigidity, Europe	None
Intra-European real effective exchange rate	Italy
Shadow economy, % of GDP, OECD	Italy, Greece
Unemployment rate	None
Production time per unit	Italy
Reliance on ECB to finance sovereign debt	None
Bank lending to HH/NFC, last 12 months	None

HH/NFC = households and non-financial corporations
Sources: IMF, OECD, EU, World Bank, CEPS

Michael Cembalest
Chief Investment Officer

[a] Example: here's a link to a 2007 article by Austan Goolsbee, former Chairman of the Council of Economic advisors and a member of the Obama Cabinet. Goolsbee praises the benefits of subprime lending and related affordable housing policies, mocks Congress for holding hearings on the subject and cites Federal Reserve papers in saying that the "*mortgage market has become more perfect, not more irresponsible*". Some things are only clear in hindsight. http://www.nytimes.com/2007/03/29/business/29scene.html?_r=2

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"States of Bankruptcy, Part I: The Coming State Pensions Crisis", Joint Economic Committee Republicans, Representative Kevin Brady and Senator Jim DeMint, December 8, 2011
"The Trillion Dollar Gap, Underfunded State Retirement Systems and the Roads to Reform", Pew Center, February 2010
"*Fiscal Policy in a Depressed Economy*", DeLong (Berkeley) and Summers (Harvard), March 20, 2012
Moody's *US Municipal Bond Defaults and Recoveries, 1970-2011*
IMF Country Report 11/216. "*Spain: Selected Issues*", July 2011

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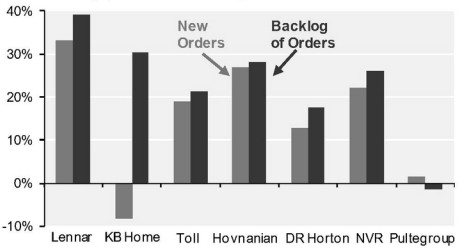
Q&A on the USA, with a watchful eye on the risk of giant man-eating plants; Spain

Our view for 2012 was that economic and equity market conditions in the US and Asia ex-Japan would be better than in Europe. So far, that view is on track. Spain in particular is in difficult shape (see page 5); its banks and government may have to borrow 1.5 trillion Euros over the next 12 months while in recession. Both the ECB and EU will need to keep the spigot open to prevent Spain from becoming a bigger problem. This week, some Q&A on the US recovery, flows into bonds and stocks, profits and P/E multiples, municipal bonds, and the long-term US fiscal situation.

The Fed appears to be saying that no additional monetary easing is needed unless the economy worsens further. Are there any signs that the US recovery is becoming self-reinforcing?

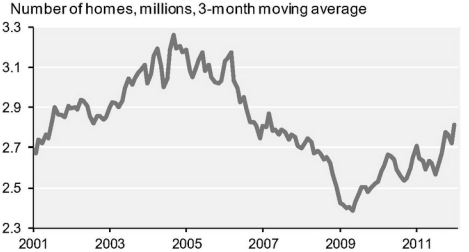
Durable goods consumption, equipment & software spending, vehicle sales, bank loans to companies, manufacturing payrolls (even after Friday's disappointing report) and housing stats (building permits, multifamily housing starts) have improved over the last few months. While delinquency rates are in better shape (credit card delinquencies are back to 2007 levels), household credit growth is still weak. However, homebuilders are seeing stronger demand, and nationwide remodeling continues to rise. We see opportunities in retailing and building products companies that may benefit from a continuation in these trends.

Publicly-held builders reporting stronger demand
Percent change, YoY in latest fiscal quarter



Source: Corporate Reports. Empirical Research Partners.

Residential remodeling index
Number of homes, millions, 3-month moving average

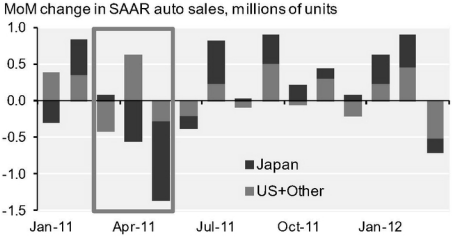


Source: BuildFax. Empirical Research Partners.

Has the data really been that good? I heard better US economic data has a lot to do with the weather.

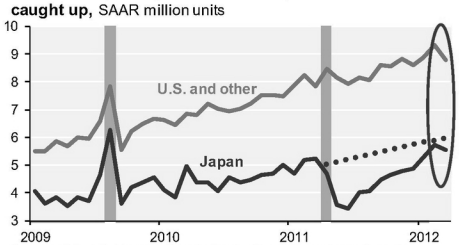
Parts of the US experienced the warmest March in recorded history. Measured from December to February, the winter was the 4th warmest on record. I don't think there are reliable models to estimate the impact of demand being pulled forward, so we will have to see how consumer spending, housing and payrolls behave in the months ahead. As our Chief Economist Michael Vaknin reminds me, other distortions come from the **"catch-up" effect from Japan's tsunami**. As shown below, some strength in auto sales came from pent-up demand for Japanese cars, a process which now seems complete.

US auto sales in the wake of Fukushima
MoM change in SAAR auto sales, millions of units



Source: BEA/Wards, DB, J.P. Morgan Private Bank. Box indicates impact of Japanese earthquake.

It looks like pent-up demand for Japanese cars has caught up, SAAR million units



Source: DB, J.P. Morgan Private Bank. Shadings indicate Cash for Clunkers and Japanese earthquake, respectively.

So where does that leave the US payroll and growth picture?

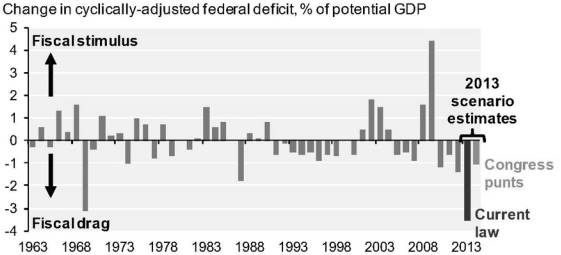
The weakness in the payroll report was almost entirely concentrated in retailing. Net of distortions and seasonal adjustments, it looks like payroll growth is running at 150-175k per month, and GDP growth is running at a 2.25% trend pace, both below prior recoveries. While 2.25% is a barn-burner compared to Europe, it only corresponds to a modest improvement in employment. **That's why 2013 US fiscal policy is so important: this is not a recovery that can withstand much tighter fiscal conditions.**

HOUSE_OVERSIGHT_025242

Q&A on the USA, with a watchful eye on the risk of giant man-eating plants; Spain

So, how tight is US fiscal policy supposed to get next year?
Very, if you look at what is *supposed* to happen according to current law. In the chart, we show the annual change in the budget deficit over the last 25 years. The impact of all provisions *scheduled* to expire and kick in during 2013 would be very large. But if Congress and the President elect to extend current tax rates, retain lower payroll tax rates and extended jobless benefits, etc, the adjustment would not be as big, and only reflect expiration of Recovery Act provisions, the recently passed Budget Control Act, and some other smaller provisions. There are of course plenty of permutations in between.

Wide range of outcomes for 2013 austerity
Change in cyclically-adjusted federal deficit, % of potential GDP



Source: CBO, IMF, Goldman Sachs, J.P. Morgan Private Bank.

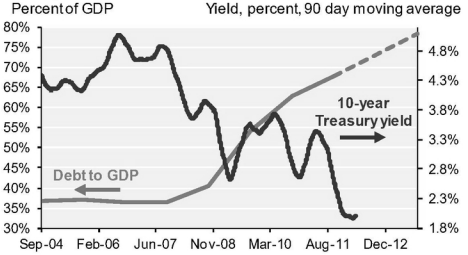
Policies set to expire or take effect under current law	Fiscal Drag (% of 2013 PGDP)
Sequester Automatic Cuts (Discretionary Spending)	-0.4%
Sequester Automatic Cuts (Mandatory Spending)	-0.1%
Bush Tax Cuts ($250k+ Incomes, Estate Tax)	-0.3%
Bush Tax Cuts (Middle Income)	-0.9%
Alternative Minimum Tax	-0.8%
Payroll Tax Cut	-0.6%
Emergency Unemployment Compensation	-0.2%
Affordable Care Act	-0.2%

Source: CBO, Goldman Sachs.

What direction is the Congress heading, and what did Larry Summers and Brad DeLong have to say about this recently?
Political outcomes this fall will affect what Congress does, but I get the sense that they will punt fiscal adjustments into the future if they can, and impose austerity of no more than 1% of GDP in 2013. If so, Congress can point to a March 2012 paper by Summers and DeLong as justification. The bottom line from the paper: **don't tighten fiscal policy when interest rates are near zero**. The authors assert that (a) additional government spending can *ease* the long-term budget constraint in conditions similar to today's, and (b) tightening policy now would risk permanent loss of human capital, lower labor productivity growth and lower trend growth. They have held these views for a while; the paper appears designed to convince others.

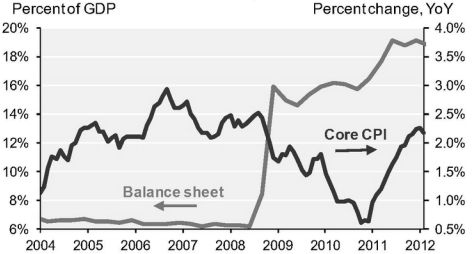
Advocates for more fiscal and monetary stimulus often point to the charts below. Rising Federal debt has not resulted in higher interest rates, so why not keep borrowing more? As for the Fed, balance sheet expansion prevented deflation and hasn't resulted in an inflationary surge (core inflation measured over 3 months just came in *below* 2%), so why not keep doing it? **Aren't these charts amazing?**

Rising Federal debt? No problem for Treasury markets
Percent of GDP | Yield, percent, 90 day moving average



Source: CBO, Bloomberg. Assumes CBO Alternative Case for estimates.

Rising Fed balance sheet? No problem for inflation
Percent of GDP | Percent change, YoY



Source: Federal Reserve Board, Bureau of Labor Statistics.

They are amazing, but no one knows how long they can be sustained. Even Summers and DeLong concede that "*even if it is granted that the stimulus can be both timely and temporary, the question of how large it can be while preserving these attributes remains for future research*". If one of these trends could not be sustained, my guess is that it would be fiscal constraints rather than monetary ones. While it's great to see rising Federal debt not adversely affecting Treasury markets, the chart on the left reminds me of *The Day of the Triffids*.

HOUSE_OVERSIGHT_025243

Q&A on the USA, with a watchful eye on the risk of giant man-eating plants; Spain

What is ***The Day of the Triffids***?

It's a 1951 science fiction novel. There's a meteor shower, and most people go outside to look at it. The next morning, everyone who looked at the meteor shower ends up blind, and Earth is taken over by giant man-eating venomous plants. The point: **some amazing events which look benign have unforeseen consequences**. Will a pact of going for growth pay the freight of higher Federal debt in the long run? Hard to say; there are not a lot of examples to draw from. Economic theories and their associated debt bubbles don't always work out as planned[1]. After WWII, the US also faced a debt ratio of 80% of GDP. Austerity was not the answer back then; government receipts and outlays as a % of GDP did not change much during the 1950's, and net debt was flat. **So how did US debt/GDP fall from 80% to 46% in just ten years?** Robust annualized real growth of more than 4.0%, and 2.0% inflation. However, unique economic conditions and productivity gains of the 1950's (e.g., interstate highway, rebuilding of Europe and Japan) may not be repeated, and the country was not headed into an entitlement time bomb. If the US does not experience a growth/productivity boom, the burden of higher debt could last for a generation or more. A pro-growth Administration would probably help, but the difficulty lay in defining exactly what that means.

Isn't it amazing?

1950's debt reduction was based on growth, not austerity

	Net debt (% of GDP)	Net debt (bn)	Nominal GDP (bn)	Real GDP (bn 1950 USD)	Outlays (% of GDP)	Receipts (% of GDP)
1950	80%	$219	$273	$273	16%	14%
1951	67%	$214	$320	$302	14%	16%
1952	62%	$215	$349	$322	19%	19%
1953	59%	$218	$373	$341	21%	19%
1954	60%	$224	$377	$343	19%	19%
1955	57%	$227	$396	$354	17%	17%
1956	52%	$222	$427	$368	17%	18%
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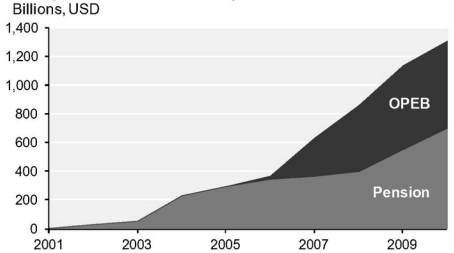
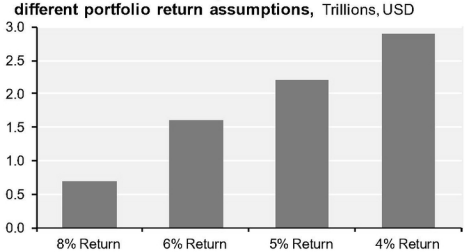
As reported unfunded state pension and OPEB liabilities
Billions, USD



Source: State Comprehensive Annual Financial Reports.

State and local unfunded pension liabilities under different portfolio return assumptions, Trillions, USD



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[1] Example: here's a link to a 2007 article by Austan Goolsbee, former Chairman of the Council of Economic advisors and a member of the Obama Cabinet. Goolsbee praises the benefits of subprime lending and related affordable housing policies, mocks Congress for holding hearings on the subject and cites Federal Reserve papers in saying that the "*mortgage market has become more perfect, not more irresponsible*". Some things are only clear in hindsight. http://www.nytimes.com/2007/03/29/business/29scene.html?_r=2

[2] This is why under-risked pensions may create huge problems for themselves and their associated state/local governments.

HOUSE_OVERSIGHT_025244

Q&A on the USA, with a watchful eye on the risk of giant man-eating plants; Spain

However, there's more of an effort at the state/local level to address this issue than at the Federal level. More than 40 states lowered pension benefit liabilities over the last 3 years according to the National Conference of State Legislatures. Measures taken include raising employee contributions (while lowering employer payments), raising minimum retirement ages, cutting post-employment healthcare benefits and in some cases, switching to defined contribution from defined benefit plans.

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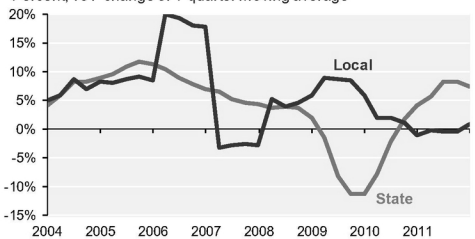
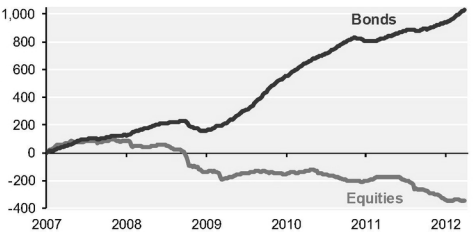
State and local tax revenue
Percent, YoY change of 4-quarter moving average



Source: US Census.

US mutual fund flows
Billions, USD



Source: Investment Company Institute.

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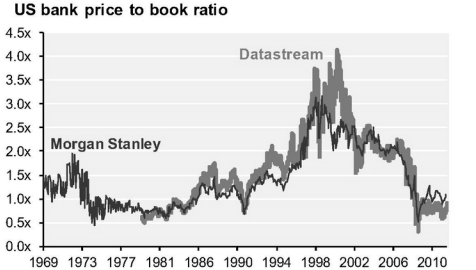
By selling more equities and buying **a lot** more bonds. See chart above (a global version of this chart looks roughly the same).

Have investors been positioning this way since stocks are expensive?
Not really. Insert a giant martini glass on the chart below from 1998 to 2001 (I hate using simple averages which include periods when the market had lost its collective mind). The current P/E multiple is in the middle of the ex-bubble range of the last 25 years. Some bank stocks look interesting, even after accounting for reliance on shrinking loan loss reserves to drive income, and ongoing regulatory uncertainty. Most US banks are at or close to Basel 3 funding needs, have considerably fewer capital adequacy questions than their European counterparts, and do not rely on wholesale funding to finance loan portfolios.

S&P 500 ex-bubble price to earnings multiple
Price to next twelve months operating EPS

Source: IBES, Standard & Poor's.

US bank price to book ratio

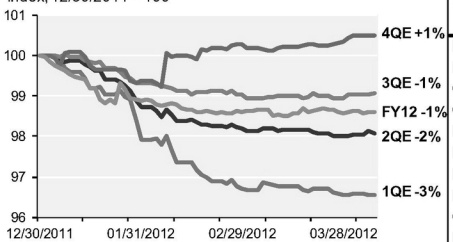


HOUSE_OVERSIGHT_025245

Q&A on the USA, with a watchful eye on the risk of giant man-eating plants; Spain

Now that P/E multiples have risen off the bottom, what's the outlook for P/E multiples and earnings from here?
The return on the S&P this year has been a function of P/E multiples rising (from 11.3x to 12.9x), a big part of which has been Apple (3% of the S&P index, 15% of S&P's YTD returns). As shown below, earnings revisions have been negative for 2012, but analysts are still optimistic about 2013. According to Morgan Stanley, analysts are forecasting the highest percentage of companies posting 2013 margin expansion since 1970, and by a very wide margin. In our view, it will be difficult for multiples to rise further unless earnings outperform expectations, particularly if Europe's structural problems take center stage again.

Revisions to consensus EPS by quarter
Index, 12/30/2011 = 100



Source: FactSet.

The place that worries me the most: **Spain**. It ranks at or close to the bottom in a lot of categories (see table), and its growth outlook is poor. Historically, this kind of thing has not ended well. Spain has defaulted 13 times since 1500 AD; it's probably going to take a lot of bilateral aid and ECB financing to prevent another one.

Michael Cembalest
Chief Investment Officer

Win, Place and Show: The problem of Spain	The only country I can find that's in worse shape than Spain is:
Number of dwellings to population	Greece
Non-financial corporate debt to GDP	Ireland
Corporate sector debt to cash flow	Portugal
Construction sector debt/assets	None
Banking sector branches per 1,000 people	None
Reliance on foreign capital (Net Int. Inv. Pos.)	Ireland, Portugal
Real estate as % of household assets	None
Housing overhang (as per CEPS)	Ireland
Commercial RE exposure % of bank assets	None
Encumbered banking system assets, %	Greece
World Bank labor rigidity, Europe	None
Intra-European real effective exchange rate	Italy
Shadow economy, % of GDP, OECD	Italy, Greece
Unemployment rate	None
Production time per unit	Italy
Reliance on ECB to finance sovereign debt	None
Bank lending to HH/NFC, last 12 months	None

HH/NFC = households and non-financial corporations
Sources: IMF, OECD, EU, World Bank, CEPS

Sources

"States of Bankruptcy, Part I: The Coming State Pensions Crisis", Joint Economic Committee Republicans, Representative Kevin Brady and Senator Jim DeMint, December 8, 2011

"The Trillion Dollar Gap, Underfunded State Retirement Systems and the Roads to Reform", Pew Center, February 2010

"*Fiscal Policy in a Depressed Economy*", DeLong (Berkeley) and Summers (Harvard), March 20, 2012

Moody's *US Municipal Bond Defaults and Recoveries, 1970-2011*

IMF Country Report 11/216. "*Spain: Selected Issues*", July 2011

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UBS

CIO WM Global Investment Office

CIO monthly video
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UBS CIO Monthly Extended

November 2012

Published
25 October 2012

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The market prices provided are closing prices on the respective principal stock exchange. This applies to all performance charts and tables in this publication.

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Section 1

Base slides

UBS

Summary

"Global growth is showing broad-based signs of improvement."

- **Economy**
  Global growth is showing broad-based signs of improvement, supported by decisive monetary policy from the world's major central banks. In the US, the housing market recovery continues and the labor market remains on a modest uptrend. This has helped improve the sentiment of US consumers, and consumption remains the most important contributor to US GDP growth. Growth has also begun to pick up in key areas of the emerging markets, including China and Brazil. While the Eurozone economy remains weak, we expect Q3 2012 to mark the bottom, and that growth will begin to get "less bad" from Q4 2012.
- **Equities**
  Equity markets have been supported by central bank action and the recent improvements in economic data. Our preferred markets remain the US and Emerging Markets (EM). Investor funds have started to flow back into EM, as economic data is improving and inflation remains under control. Canada and Australia remain our least favored regions due to falling earnings.
- **Fixed Income**
  US high yield bonds remain supported by strong corporate fundamentals, modest economic growth, and the broad demand for yield-generating assets. Given this, we see potential for further spread tightening. Meanwhile, benchmark rates are expected to rise gradually on better economic data, while short rates remain ultra-low. While investment grade corporate bond spreads are approximately fair value, we continue to view their absolute yields as attractive.
- **Commodities**
  We keep a neutral stance on commodities. Increased global liquidity has pushed prices up over the last few months, however, for a more sustained price increase we likely need to see further evidence of an acceleration in global growth.
- **Foreign Exchange**
  We remain underweight the Japanese yen. The Japanese economy continues to weaken against its peers, leading to rising pressure for the Bank of Japan to engage in further quantitative easing. We have closed our preference for the Canadian dollar following its recent strength, and therefore close our offsetting short CHF position.

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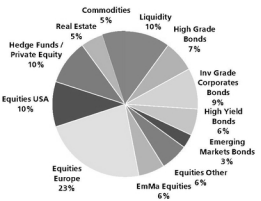
Cross-asset preferences

	Most preferred	Least preferred
Equities	• US • Western winners from EM growth • High quality dividend yields • Event-driven and relative value hedge funds • Natural gas growth gainers	• Canada • Australia
Fixed income	• US high yield • Global investment grade credit • EM corporate bonds • Event-driven and relative value hedge funds	• Developed market government bonds
Foreign exchange	• GBP • Emerging markets (↗)	• JPY
Commodities		

Portfolio weights



Note: Portfolio weights are for an advisory client with a "EUR moderate" profile. For portfolio weights related to other risk profiles please contact your client advisor.

↗ Recent upgrades ↘ Recent downgrades

UBS

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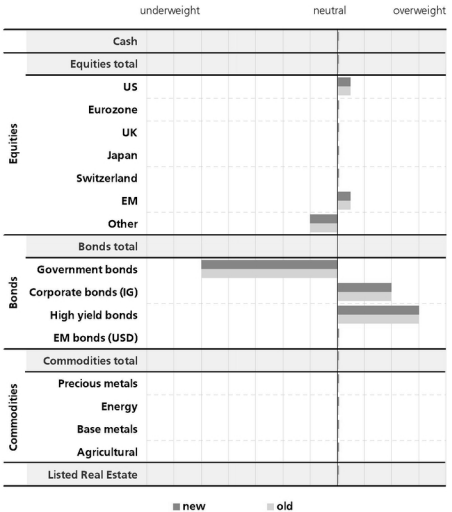
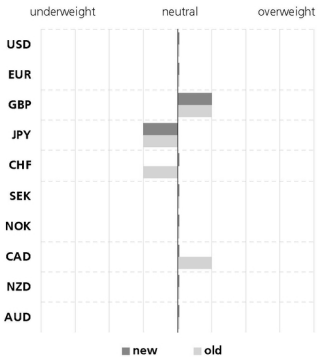
Recommended tactical asset allocation

Tactical asset allocation deviations from benchmark*



Source: UBS CIO WM Global Investment Office – as of 25.10.2012

Currency allocation



* Please note that the bar charts show total portfolio preferences and thus can be interpreted as the recommended deviation from the relevant portfolio benchmark for any given asset class and sub asset class.

The UBS Investment House view is largely reflected in the majority of UBS Discretionary Mandates and forms the basis of UBS Advisory Mandates. Note that the implementation in Discretionary or Advisory Mandates might slightly deviate from the "unconstrained" asset allocation shown above, depending on benchmarks, currency positions and for other implementation considerations.

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Preferred themes

- **High quality dividend yields (sourced from existing European and UK equities)**
  High quality companies with geographically diversified business models that pay sustainable dividends offer an attractive income stream in a low yield world. Historically, dividends have made a substantial contribution to total returns, and we expect this to remain the case in the current environment.
- **Western winners from emerging market growth (sourced from existing equity holdings)**
  Emerging economies continue to grow faster than developed economies. With little need to deleverage and repair balance sheets, Asian economies are also well positioned to continue to outpace their Western peers in the years ahead. We have identified companies from a variety of sectors in Europe, the US and Japan which have significant exposure to the rapidly growing emerging regions. We believe a diversified portfolio of these companies will reward investors seeking to profit from the robust demand growth in emerging economies.
- **Natural gas growth gainers (sourced from existing equity holdings)**
  Natural gas is a relatively clean source of energy, and we think it will benefit from continued substitution for other energy sources over the long term. We have examined the dynamics of the global market and the various components of the gas value chain, and identified the areas we see as the most significant beneficiaries currently. These include producers in Europe and Asia, suppliers of infrastructure, services and related machinery, and Master Limited Partnerships (MLPs) in the US, that offer both attractive yields and growth.
- **EM corporates: a growing asset class (sourced from global government bonds – CIO UW)**
  Given our relatively constructive current view on risk, we regard EM corporate debt as more attractive than EM sovereign debt due to its higher overall yield. Over a 6-month horizon, we expect EM corporate bonds to outperform US Treasuries and deliver total returns of close to 4%.
- **Government bond alternatives (sourced from government bonds – CIO UW)**
  Developed world government bonds offer a comparatively small cushion against future interest rate hikes and many face increasing credit risk. We expect selected bonds of supranational or national agencies, sub-national governments, multinational corporates, and covered bonds to outperform government bonds. We recommend switching out of government bonds into these alternatives.
- **US high yield corporate bonds (sourced from government bonds – CIO UW)**
  Positive economic growth, robust corporate earnings and healthy balance sheets provide support to US high yield corporate bonds. Current yield spreads of 540 basis points still price in a more dire economic outcome than we expect. Historically, US high yield bonds have delivered similar returns as US equities with lower volatility. We continue to believe that US high yield corporate bonds represent a more favorable risk/return potential than equities and expect mid single digit returns over the next 6 months. Senior loans are exposed to similar positive fundamentals, and offer an attractive, floating rate alternative to US high yield.
- **The place to be in Hedge Funds**
  Growth in most developed markets remains muted. In this environment, less directional hedge fund strategies, such as relative value and event driven, should offer above average returns.
- **EM currencies: An underappreciated asset class (sourced from government bonds – CIO UW)**
  The currencies of emerging countries, collectively as an asset class and measured using total returns (i.e. including interest received), have the potential to contribute positively to the longer-term returns of a well-diversified portfolio. We believe that this is especially relevant now that the developed world is settling into an extended period of very low interest rates.

★ = New theme

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Global economic outlook – *Summary*

Key questions

- What are the prospects for the global economy in 4Q 2012 and 1Q 2013?
- What are the risks that the US economic recovery will falter in the near term?
- When is the European economy likely to emerge from contraction?
- What is the near-term outlook for the Chinese economy?

CIO View (Probability: 75%*) **Sluggish expansion**

• Global economic activity has shown signs of improvement over the last month – albeit from a low base. Importantly, the JPM global composite PMI (a survey measuring economic activity) rose significantly to 52.5 in September from 50.9 in August. The increase was driven by improvements in both manufacturing and service sector activity. Thus, the global manufacturing PMI rose marginally to 48.9 from 48.1, while the services PMI jumped two index points to 54.

• Geographically, improvements were concentrated in the emerging markets and the US. Indeed, we think that downside risks in the US have diminished lately and we expect the moderate recovery to continue ahead. Chinese data are still mixed, but we think that an improvement in the economic momentum is in the cards in 4Q. In the EMU and UK, recent PMI surveys deteriorated but we still expect the EMU to improve gradually in coming quarters. Overall, we expect the moderate improvement in global economic activity to continue ahead. A key driver here is the latest wave of ultra-expansionary monetary policy. Downside risks have diminished somewhat in recent months. We expect Greece to stay in the euro this year and sign a new memorandum in November. In the US modest fiscal tightening is expected with the Fed mitigating downside growth risks. The risk of an idiosyncratic slowdown in Asia has declined as the latest Chinese data confirms that the economy has bottomed."

• Global consumer price inflation peaked in summer 2011 and has since fallen gradually. Base effects and rising commodity prices since June may push up the global headline rate of inflation in coming months.

↗ Positive scenario (Probability: 10%*) **Return to long-term trend**

• The Eurozone crisis abates. Financial market conditions recover, mitigating the drag from fiscal austerity.

• Growth in Western Europe turns decisively positive by early 2013 and the US economy grows above trend.

↘ Negative scenario (Probability: 15%*) **Recession**

• There are three key downside risks to the global economy: 1) a significant escalation of the Eurozone debt crisis; 2) a sharp fiscal contraction in the US, and 3) a sharp deceleration of the Chinese economy. Each of these risks could precipitate a significant downturn of the global economy.

Key dates

TBA	Troika report on Greece
2 Nov	Nonfarm payrolls and unemployment rate for October
6 Nov	US presidential and congressional elections
8 Nov	The 18th National Congress of the Communist Party of China
22–23 Nov	European Council

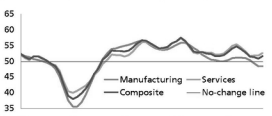
Global growth expected to be around 3% in 2012 and 2013

		Real GDP growth in %			Inflation in %		
		2011	2012F	2013F	2011	2012F	2013F
Americas	US	1.8	2.1	2.3	3.1	2.1	1.7
	Canada	2.4	2.0	2.3	2.9	2.0	2.3
	Brazil	2.7	1.5	4.5	6.5	5.4	6.5
Asia/Pacific	Japan	-0.8	2.3	2.0	-0.3	0.0	0.3
	Australia	2.1	3.7	3.2	3.4	1.7	2.5
	China	9.3	7.5	7.8	5.4	2.8	3.6
	India	6.5	5.5	6.5	8.0	7.5	7.0
Europe	Eurozone	1.5	-0.4	0.2	2.7	2.4	1.9
	Germany	3.1	0.9	1.1	2.5	1.7	1.5
	France	1.7	0.2	0.4	2.1	2.0	1.3
	Italy	0.5	-2.4	-0.2	2.9	3.3	2.7
	Spain	0.4	-1.6	-1.7	3.1	2.4	2.7
	UK	0.9	-0.3	1.0	4.5	2.7	2.3
	Switzerland	1.9	1.1	1.4	0.2	-0.5	1.2
	Russia	4.3	3.8	3.7	8.5	5.1	6.8
World		3.2	2.7	3.1	3.9	2.9	3.0

Source: UBS CIO, as of 24 October 2012

In developing the CIO economic forecasts, CIO economists worked in collaboration with economists employed by UBS Investment Research. Forecasts and estimates are current only as of the date of this publication and may change without notice.

Services and manufacturing diverging
(Global PMIs, 3-month moving averages)



Source: Bloomberg, UBS CIO, as of September 2012

Note: Past performance is not an indication of future returns.
*Scenario probabilities are based on qualitative assessment.

Key financial market driver 1 – *Eurozone crisis*

Key questions

- What do we expect from the economy and ECB policy?
- Can Spain and Italy continue to tap the primary market if they ask for a support program?
- How much more support will Greece receive and will it be able to stay in the Eurozone next year?

CIO View (Probability: 70%*) **Austerity and weak growth**

- We think the Eurozone economy troughed in 3Q. We expect flattish growth in 4Q 2012 and 1Q 2013 (in line with consensus). Beyond this, uncertainties regarding the debt crisis and continuing fiscal austerity efforts will likely keep the pace of recovery subdued. The ECB is still in easing mode but after announcing a conditional bond purchasing program, it would take a marked worsening of the debt crisis and/or a worsening of economic data to trigger any further policy action.
- There is political pressure on Spain to apply for official financial support (OMT by the ECB and direct support from the EFSF/ESM). However, the government may hesitate until market pressure rises and/or clear political benefits are on offer. We think that Italy will have to apply for an aid package similar to Spain's. We see a high probability of Spain being downgraded to junk by at least one rating agency.
- OMT bond purchases in the secondary market will focus on maturities of up to three years and countries will be expected to maintain their funding profiles by also issuing longer-dated bonds. Hence, longer yields should stay elevated as bondholders remain concerned about countries' ability and willingness to implement necessary reforms, and about the de-facto subordination to ECB holdings and official loans. The central banking supervision at the ECB is unlikely to be ready by January 2013, meaning that direct bank recapitalization through the ESM remains unavailable.
- We think Greece will not exit the euro in 2012 but will sign a new memorandum by November, although further delay is possible. We think that Greece's failure to meet targets may trigger a cut-off from funding by early 2013 and a possible gradual exit later. Portugal and Ireland should remain on track with their bailout packages, Cyprus will likely get a new package and Slovenia may ask for help soon.

↗ Positive scenario (Probability: 15%*) **Return to macro stability**

- Bond yields are contained as peripheral countries' budgets stay on track and economic activity recovers faster than expected. Greece complies with the new austerity plans and market confidence is restored.

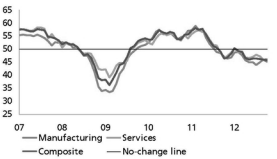
↘ Negative scenario (Probability: 15%*) **Major shock**

- Major shocks include Spain and Italy being fully cut off from bond markets, i.e. requiring all new funding through EFSF/ESM/IMF loans, with European rescue funds only able to cover them until the end of 2013; resistance from core countries against the ECB program and further support; a Portuguese default; a Greek euro exit before the end of 2012; or a major external shock.

Key dates

TBD	Troika report on Greece
8 Nov	ECB press conference
12 Nov	Eurogroup meeting
15 Nov	Eurozone GDP 3Q: first estimate
22 Nov	Eurozone composite purchasing managers index
22–23 Nov	European Council

Purchasing managers indices point to ongoing contraction in 3Q



Source: Bloomberg, UBS, as of October 2012

Yield of Spanish and Italian 10-year bonds over German Bunds (in bps)

Source: UBS, Bloomberg, as of 16 October 2012

Note: Past performance is not an indication of future returns.

* Scenario probabilities are based on qualitative assessment.

For further information please contact CIO analyst Thomas Wacker, thomas.wacker@ubs.com and CIO economist Ricardo Garcia, ricardo-za.garcia@ubs.com

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Key financial market driver 2 – *US economic outlook*

Key questions

- Is the nascent growth recovery sustainable? Will the Fed stimulus boost growth?
- How will the election result change fiscal policy deliberations?
- Can politicians find an agreement to avoid a sharp fiscal contraction in early 2013 (i.e. the "fiscal cliff")?

CIO View (Probability: 70%*) **Moderate expansion**

- The economy stays on a moderate growth path but the unemployment rate comes down only very gradually – the September report exaggerated the pace of improvement. Core personal consumption expenditure (PCE) inflation stays slightly below or close to the Federal Reserve's target of 2%. UBS forecasts real GDP growth of 2.0% in 3Q 2012 (consensus: 1.8%) and 1.6% in 4Q 2012 (consensus: 1.9%). The Fed has added considerable stimulus: it extended Operation Twist and its interest rate forward guidance, indicated that it will stay highly accommodative even after the recovery strengthens, launched an open-ended agency mortgage-backed securities (MBS) purchase program of USD 40bn per month, and shows a strong easing bias tied to the state of the labor market. The Fed actions effectively mitigate downside growth risks, but they are unlikely to dramatically boost growth.
- In the elections, Republicans will likely lose seats in the House on a net basis but retain a majority; we expect them to be even with Democrats in the Senate. Obama will likely retain the White House. Such an electoral outcome would prolong the existing gridlock between Republicans and Democrats.
- Due to the ongoing political gridlock, we expect modest fiscal tightening. The government will likely let unemployment benefits phase out and payroll tax cuts expire, but postpone income tax hikes and sequester spending cuts. Such a decision would lower the federal deficit by 0.7% of GDP, with a likely lower real GDP growth impact as households could buffer the income loss with lower savings.

↗ Positive scenario (Probability: 10%*) **Strong expansion**

- Propelled by expansive monetary policy and a fading Eurozone crisis, growth accelerates persistently above 3.0%. This leads to higher inflation and the Fed responds by halting QE3 and raising rates sooner.
- The better economic outlook raises the odds of an Obama reelection and makes it harder for Republicans to gain seats in Congress. Faster-rising tax collection and a Democratic stronghold leads to some tax hikes and limited spending cuts. Fiscal policy tightens by about 1.2% of GDP in 2013.

↘ Negative scenario (Probability: 20%*) **Growth recession**

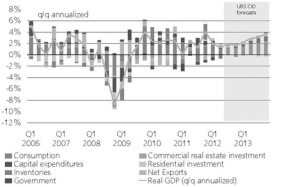
- US fiscal deleveraging and an escalating Eurozone crisis weigh on the cyclical recovery. Falling profit margins weigh on business capital expenditures. Real GDP growth deteriorates much further. The Fed massively purchases agency MBS and Treasuries under its QE3 program.
- The debt limit is reached earlier and the Treasury runs out of money before year-end. Political gridlock becomes dysfunctional, thus sending the country over the "fiscal cliff," with fiscal policy tightening by USD 607 billion (3.7% of UBS estimate of 2013 GDP) in 2013. The US credit rating is downgraded.

Key dates

30 Oct	Conference Board consumer confidence
1 Nov	ISM manufacturing purchasing managers index for October
2 Nov	Nonfarm payrolls and unemployment rate for October
6 Nov	US presidential and Congressional elections

US growth to pick up throughout 2013

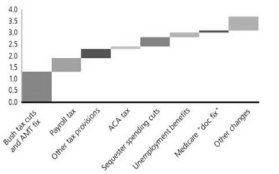
US real GDP and its components, quarter-over-quarter annualized in %



Source: Thomson Datastream, UBS, as of 15 October 2012

Budget impact of US fiscal cliff in 2013

Cumulative budget effects of fiscal cliff components, in % of UBS estimate of 2013 GDP



Note: AMT = Alternative Minimum Tax, ACA = Affordable Care Act

Source: CBO, UBS, as of 9 October 2012

* Scenario probabilities are based on qualitative assessment.

Note: Past performance is not an indication of future returns.

Key financial market driver 3 – *China growth outlook*

Key questions

- What are the drivers for a modest sequential growth recovery?
- What is our policy expectation?
- How strongly will the recently announced infrastructure projects boost growth?

CIO View (Probability: 70%*) **Stabilization in economic momentum**

- We continue to expect a sequential recovery in the growth momentum in the current quarter. Inventory reductions should be less of a drag on growth and the government is rolling out more investment plans. At the same time, political uncertainty should diminish after the power handover in November. We think that real GDP will grow 7% y/y in 4Q (consensus: 7.7%) before improving mildly to 7.3% in 1Q 2013 (consensus: 7.9%).
- Indicators measuring inventory levels have fallen recently, showing that the destocking cycle is well advanced. In addition, domestic prices for some major raw materials appear to have bottomed out, which should support a mild rebound in production activity in the coming months. However, this may not be sustainable without a genuine recovery in final demand.
- While the government has recently announced trillions of infrastructure investment projects, the spending will span several years and the source of funding remains unclear. In addition, real estate investment growth is likely to stabilize but not rebound strongly in the months ahead. We therefore do not expect a sharp rise in investment growth. Fiscal support measures should help to stabilize economic growth, but are unlikely to result in a strong growth boost.
- The 18th National Congress of the Communist Party of China will be held on 8 November, which is exactly the same date as in the previous leadership handover in 2002. With the transition of the senior Communist Party leadership taking place in this meeting, political uncertainties should be reduced. Execution of policy easing measures could improve, although a substantial new stimulus is unlikely in the near term. In terms of monetary policy, we do not expect any interest rate cut for the rest of the year, but a reserve requirement cut is still possible to manage liquidity.

↗ Positive scenario (Probability: 20%*) **Higher-than-expected growth**

- Chinese GDP grows above 7.7% in 2012. This would require more effective fiscal and monetary policy support from the government and possibly also a fast improvement in the Eurozone debt crisis.

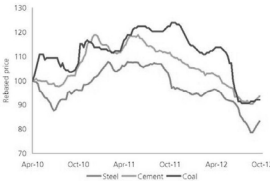
↘ Negative scenario (Probability: 10%*) **Hard landing**

- Chinese GDP grows below 6%, i.e. a hard landing of the economy. This could be triggered by a global financial crisis/recession, causing a slump in Chinese exports, or domestic policy staying adrift during the leadership transition period. Other risks include a sharp movement in residential property prices, or a surge in inflation that forces the PBoC to significantly tighten monetary policy.

Key dates

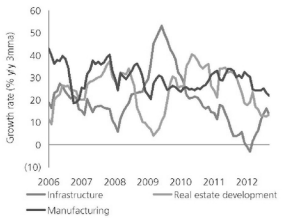
1 Nov	Manufacturing purchasing managers index (October)
8 Nov	The 18th National Congress of the Communist Party of China
9 Nov	Consumer price inflation, industrial production, fixed-asset investment (October)
10-15 Nov	New bank lending, M2 (October)

Nascent rebound in domestic commodity prices



Source: CEIC, Wind, UBS, as of 15 October 2012

Investment staying supportive to growth



Source: Bloomberg, UBS, as of 15 October 2012

Note: Past performance is not an indication of future returns.

* Scenario probabilities are based on qualitative assessment.

UBS

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Please see important disclaimer and disclosures at the end of the document.

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Section 2

Asset class views

UBS

Section 2.A

Asset class views

Equities

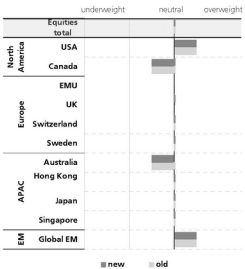
UBS

Equities overview

Global equity markets – Key points

- We keep an overall **neutral allocation to equities** (see summary on slide 3).
- We keep our **preference for US equities**. Resilient company earnings still speak for an overweight stance. Continued economic growth should underpin earnings also in 2013.
- We keep our **neutral stance on Eurozone equities**. Value is attractive compared to global equities. However, due to the recession in several countries the earnings dynamics remains weak. In addition, uncertainty as to when and under what conditions Spain will sign a memorandum of understanding keeps us from taking a more positive stance.
- We have an **overweight position in EM equities.** Monetary easing as well as fiscal stimulus in key countries, coupled with relatively attractive valuations, are supporting factors. Economic activity is likely to improve gradually over the coming quarters, supporting company earnings.
- We keep our **negative stance on Canadian equities**. Corporate earnings continue to decline, showing a weak development relative to the global trend. In addition, valuation is not compelling.
- We are **cautious on Australian equities**. Realized earnings continue to come down for the market.
- We are neutral on **Swiss equities**. Companies show solid earnings growth, which is expected to hold up better than in other regions. Although the Swiss franc is still overvalued, the weakening to the USD and related currencies since this summer provides additional earnings support.
- We keep our neutral view on **UK equities**. In the UK the earnings dynamics lags behind other markets. Also, the recent strengthening in the pound is a drag for earnings measured in local currency terms.

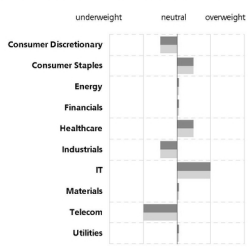
Preferences (6 months)



Note: Preference in hedged terms (excl. currencies)

Global equity sectors – Key points

- We **keep our overweight in Consumer Staples.** Among the defensives it offers good earnings growth prospects due to its geographically diversified revenue generation.
- We reiterate our **preference for global IT** due to a superior growth outlook and as we are in the seasonally strong second half year. With healthy balance sheets and good cash flows, sector valuation is in line with the overall market, while we believe it deserves a larger premium.
- We continue to **like Healthcare** as it offers solid long-term earnings prospects with low volatility and strong balance sheets. We **reiterate our underweight in Telecoms**, where we expect ongoing weak revenue growth as well as margin pressure.
- We are **negative on Consumer Discretionary** as earnings expectations may be too optimistic. With leading indicators in major regions still deteriorating, we keep our **underweight in Industrials**. We have concerns over weak manufacturing momentum leading to increased earnings revisions.
- The earnings outlook for US and Asian Financials is solid. We are **neutral globally on Financials**. While the ECB's OMT program reduces tail risk for Financials, it has limited impact on sector earnings.



Source: UBS

US equities

Preference: overweight

S&P 500 (24 Oct): 1,409 (last publication: 1,433)

UBS View **S&P 500 (6-month target): 1,460**

- We keep our preference for US equities relative to other developed equity markets. Earnings continued to hold up better than in other regions during the recent economic slowdown. Continued economic growth should allow companies to show mid single digit earnings growth over the coming 12 months.
- The US central bank's (Fed) very pro-growth oriented policy stance is a clear advantage for the local equity market; the recent introduction of additional quantitative easing (QE 3) is positive for riskier assets.
- We still expect some potential for re-rating over the coming 6 months, in terms of increases in the price-to-earnings ratio (P/E).
- The debate around the fiscal cliff implies increased uncertainty over the coming months. However, we think that a 20% discount compared to the long-run PE-average provides some cushion, and our base case assumes that politicians will finally achieve a compromise to avoid economic contraction.

↗ Positive scenario **S&P 500 (6-month target): 1,700**

- An accelerating US and global economy reduces risks to company earnings. Investors begin to shift funds into more cyclical sectors such as Industrials and Materials in light of better growth prospects. In this scenario, we would expect earnings to grow by around 10% in the next 12 months, and the trailing P/E multiple to expand to around 16x.

↘ Negative scenario **S&P 500 (6-month target): 1,250**

- The US slides into a recession and corporate earnings fall over the coming 12 months. If this were coupled with an escalation of the Eurozone debt crisis, we would expect the P/E multiple to contract towards 12.5x trailing earnings.

Note: Scenarios refer to global economic scenarios (see slide 7)

What we're watching	Why it matters
Business sentiment	The ISM is the key indicator for US manufacturing and services. **Key dates: 1 Nov, ISM manufacturing; 5 Nov, ISM non-manufacturing**
The Fed	Hints on further quantitative easing can influence equities. **Key date: 11 Nov, minutes of Fed meeting** (of 24 October)
Labor market	Improvement in the labor market would support stronger consumption. **Key date: 2 Nov, US labor market report for October**

Recommendations

Tactical (6 months)

- We continue to like IT. The sector trades at the lowest valuation multiples seen since the early 1990s. Product launches support superior earnings growth.
- Industrials are preferred as they benefit from a pick up in manufacturing activity.
- Consumer Staples is our preferred defensive sector offering the best combination of dividend growth and attractive valuation.
- We are still cautious on Telecoms, due to high valuations, as well as Materials, where margins remain under pressure.

Strategic (1 to 2 years)

- We like medium-sized US companies, which are expected to show good longer term earnings growth.

Our sector stance in the US

Sectors	US
Consumer Discretionary	→
Consumer Staples	↗
Energy	→
Financials	→
Healthcare	↘
Industrials	↗
IT	↗
Materials	↘
Telecom	↘
Utilities	→

Source: UBS

Note: Past performance is not an indication of future returns.

Eurozone equities

Preference: neutral

Euro Stoxx (24 Oct): 247 (last publication: 247)

UBS View **Euro Stoxx (6-month target): 249**

• We keep our neutral stance on Eurozone equities. While the sovereign debt crisis remains a risk factor (see slide 8), the conditional bond buying program by the ECB (OMT) and the introduction of the ESM have significantly reduced downside risks.
• Near-term we might see volatility increasing as politicians wrangle about the steps needed to provide a more lasting solution to the debt crisis (setup of a single banking regulator, solving the banking related problems in Spain, etc.). We think that attractive valuations sufficiently compensate for those risks.
• The weak economic environment with recessions in the southern countries continues to weigh on corporate earnings. Consensus expectations (bottom up) of about 10% to 15% earnings growth in 2013 is too high, in our view. In contrast, we forecast just about 3–5% earnings growth next year.

↗ Positive scenario **Euro Stoxx (6-month target): 320**

• Global economic growth reaccelerates and Eurozone growth shows clear signs of bottoming out, enabling mid-single-digit earnings growth over the next six months. The trailing P/E ratio could re-rate to about 14.5x from its current reading of about 11.7x.

↘ Negative scenario **Euro Stoxx (6-month target): 200**

• The debt crisis leads to renewed pressure on Spain and Italy. However, downside risks are expected to be less severe now, after the ECB has put its new bond-buying program in place.
• Earnings could fall about 5% to 10% from current levels over the coming six months, and the trailing P/E ratio could drop to a level around 10x over a six-month period.

Note: Scenarios refer to global economic scenarios (see slide 7)

What we're watching	Why it matters
Growth indicators	Economic growth indicators provide information on the development of a potential Eurozone recession. **Key dates: 2 Nov, final PMI manufacturing, EMU; 6 Nov, final PMI services EMU; 22 Nov, flash PMI manufacturing, EMU, France and Germany; 23 Nov, Ifo business sentiment index, Germany**
Policy action	Decisions by European politicians and the ECB affect the course of the debt crisis. **Key dates: 8 Nov, ECB meeting**

Recommendations

Tactical (6 months)

- We continue to recommend defensive sectors like Consumer Staples and Healthcare. We also like the Energy sector.
- We are negative on Industrials and Consumer Discretionary as industry sentiment remains subdued.
- We remain cautious on Financials – especially Banks and diversified Financials. The need for recapitalization remains a major concern.

Strategic (1 to 2 years)

- We have a preference for stocks paying high-quality dividends.
- We like companies with high exposure to rapidly growing emerging markets.

Our sector stance in the Eurozone

Sectors	Eurozone
Consumer Discretionary	↘
Consumer Staples	↗
Energy	↗
Financials	↘
Healthcare	↗
Industrials	↘
IT	→
Materials	→
Telecom	↘
Utilities	→

Source: UBS

Note: Past performance is not an indication of future returns.

UK equities

Preference: neutral

FTSE 100 (24 Oct): 5,805 (last publication: 5,768)

UBS View **FTSE 100 (6-month target): 5,850**

- We keep our neutral stance on UK equities. Earnings have continued to disappoint, showing one of the weakest dynamics within our market universe. Commodity related sectors show steep earnings declines, which is expected to moderate only in a lagged fashion to stabilizing commodity prices. The Healthcare sector suffers from company specific issues which affect earnings also negatively.
- With the oil price expected to trade down over the next 3 months, earnings of companies in the energy sector - comprising about 20% of the market – should remain depressed over the coming quarters. Within financials, law suits related to mis-selling of insurance related products represent a special risk factor.
- Recent strengthening of the British pound is also a headwind for the competitiveness of UK companies, as earnings measured in the local currency are negatively affected.
- The PE of UK equities looks attractive at first sight. But over the past 10 years, UK equities traded on average at a discount to global equities.

↗ Positive scenario **FTSE 100 (6-month target): 7,000**

- A fast strengthening in global growth and recovering demand from emerging markets leads to fast rising commodity prices, helping the Energy and Materials sectors to lead the market higher. The market could re-rate to a P/E multiple of 13.0x, and we would expect earnings growth of 5–10% over 12 months.

↘ Negative scenario **FTSE 100 (6-month target): 4,750**

- A global recession drags UK earnings down by 15–20% over 12 months. The market's traditionally defensive characteristics would only partly offset its strong exposure to commodity-related sectors. We would expect the trailing P/E multiple to drop towards 10x.

Note: Scenarios refer to global economic scenarios (see slide 7)

What we're watching	Why it matters
Growth indicators	Business survey indicators provide information on economic development in the UK. **Key date: 1 Nov, PMI manufacturing; 5 Nov, PMI services**
Commodity prices	Energy and Materials together comprise about 30% of the UK market according to market capitalization. Developments in commodity prices affect earnings estimates.
Policy action	Loose monetary policy by the Bank of England supports equities. **Key date: 8 Nov, Bank of England policy meeting**

Recommendations

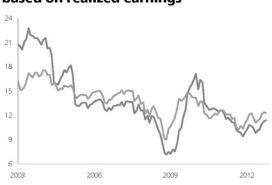
Tactical (6 months)

- The UK offers an attractive 4% dividend yield. We still like companies with high quality income streams.
- We like Consumer Staples in the UK. The sector should provide steady earnings growth through its exposure to emerging markets.

Strategic (1 to 2 years)

- The UK market's close to 4% dividend yield provides a good income stream.
- Companies with pricing power are expected to deliver superior earnings growth.

UK market trades at a P/E discount, based on realized earnings



Source: Thomson Reuters, UBS, as of October 24, 2012

Note: Past performance is not an indication of future returns.

Swiss equities

Preference: neutral

SMI (24 Oct): 6,627 (last publication: 6,540)

UBS View **SMI (6-month target): 6,700**

- We stay neutral on Swiss equities relative to global ones. Swiss companies are internationally well diversified, with about 2/3 of revenues generated in the US and in emerging markets. This provides the basis for solid revenue and earnings, despite economic weakness in Europe.
- Swiss companies are trying to mitigate concerns about global economic prospects and a strong Swiss franc using tight cost controls. This should protect operating margins.
- While the Swiss franc remains overvalued, the currency is not longer a drag. In fact, after depreciating since summer versus the USD and related currencies, Swiss companies' earnings will show positive currency translation and margin effects.
- Especially in an environment of low economic growth we like the properties of decent earnings growth, solid balance sheets and a reasonable valuation.

↗ Positive scenario **SMI (6-month target): 7,500**

- Eurozone economic growth is reaccelerating considerably, providing further relief to Swiss financials as well as Swiss exporters. Defensive sectors would likely be left behind in a strong global relief rally. In this scenario, we would expect the equity market P/E to be re-rated to 15x and earnings to grow by 5% over the next six months.

↘ Negative scenario **SMI (6-month target): 5,600**

- The global economy slides into a recession. Despite being less dependent on the global business cycle, Swiss companies will also feel the drop in global demand. In this scenario, corporate earnings are likely to drop slightly over the next six months and we would expect the P/E to contract toward 12.0x.

Note: Scenarios refer to global economic scenarios (see slide 7)

What we're watching	Why it matters
Economic indicators	Key announcements of domestic economic indicators: **Nov 1, Manufacturing PMI index; Nov 30, KOF Swiss leading indicator;**
Monetary and economic policy	Key Swiss monetary policy dates that could impact Swiss equities: **Nov 1, SNB meeting**
Corporate news	Key corporate announcement dates: **Oct 30, Geberit, Oerlikon, Straumann & UBS; Oct 31, Lonza & Sika**

Recommendations

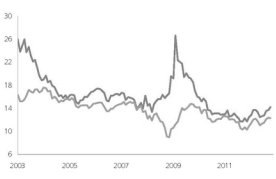
Tactical (6 months)

- We favor large caps over small caps.
- We like stocks paying high and sustainable dividends.
- Within defensives, we favor the Healthcare and Consumer Staples sectors.
- Among the cyclical companies, we prefer those with a broad emerging-markets exposure and/or cheap valuation, including insurers.

Strategic (1 to 2 years)

- We favor leaders in regards to the two key Swiss success factors: innovation and globalization.

Swiss market relative to world equities



Source: Thomson Reuters, UBS, as of October 24, 2012

Note: Past performance is not an indication of future returns.

Japanese equities

Preference: neutral

Topix (24 Oct): 743 (last publication: 743)

UBS view **Topix (6-month target): 756**

- We expect earnings growth of about 25% over the upcoming 12 months. A relatively high growth rate still reflects last year's sharp decline caused by two natural disasters. Still, the earnings recovery has disappointed so far. Earnings growth continues to slow down and is expected to move toward a more normal single-digit growth in 2013.
- The government started implementing its JPY 18 trillion recovery budget in Q4 2011; we expect it to boost GDP by 0.5-1.0% in FY2012, and about 0.5% in 2013.
- However, we see only limited scope for an additional earnings boost from the local economic recovery. Slowing export markets also curtail the outlook. June quarter-earnings results revealed emerging market demand was below expectation, capping earnings growth.
- We expect the TOPIX trailing P/E to drop to around 13.5x from 15.0x over the coming months, mainly due to the earnings recovery; this provides room for moderate price increases only.

Positive scenario **Topix (6-month target): 970**

• Stronger global demand and stabilizing European markets lead to improved risk-taking. Falling risk aversion is likely to lead to a weaker yen, providing an additional increase in earnings. We expect 10-15% EPS growth in FY2013 and the TOPIX target is based on 16.0x trailing P/E.

Negative scenario **Topix (6-month target): 575**

• Faltering global growth leads to weak exports, triggering negative earnings surprises. USD-JPY rate strengthening to below 75 and potential economic conflicts with China might serve as an additional drag on earnings. We would then expect the P/E ratio to contract to 13.0x and earnings to fall during the upcoming six months.

Note: Scenarios refer to global economic scenarios (see slide 7)

What we're watching	Why it matters
JPY and exports	The exchange rate is an important factor for the Japanese equity market. Japan's trade balance could be in deficit and may impact USD-JPY rates. **Key date: Nov 21, Japanese trade balance**
BoJ's monetary policy board meeting	If the Bank of Japan makes additional commitments to its asset-purchase program, which is currently JPY 70 trillion in size, it would lead to a weaker yen, in our view. **Key date: Oct 30, BoJ policy meeting**

Recommendations

Tactical (6 months)

- Japanese value stocks have under-performed growth stocks by more than 20% for the last four months. We see this as an overreaction to concerns on the slower global economy, and recommend picking some value stocks with high dividend yields.
- We prefer companies that are using cost-reduction initiatives to maintain price competitiveness during periods of yen strength.

Strategic (1 to 2 years)

- A weaker USD-JPY rate may drive Japanese companies' earnings recovery beyond a technical recovery from natural disasters. Japanese exporters and companies owning international operations would benefit from such a development.

Japanese realized earnings likely to recover further going forward

Source: Thomson Reuters, UBS, as of October 22, 2012
Note: Past performance is not an indication of future returns.

UBS

Emerging market equities

Preference: overweight

MSCI EM (24 Oct.): 995 (last publication: 990)

UBS View **MSCI EM 6-month target: 1,040**

- The downward revisions to the emerging market GDP growth forecasts appear to be coming to an end. We expect emerging market GDP growth to accelerate to 5.3% in 2013 from this year's 4.7%.
- Monetary policy in the US, the Eurozone, and Japan remains supportive. One implication of these low interest rate policies, we believe, will be to enhance emerging market (EM) equity returns in USD by supporting EM currencies more broadly against the USD over the next six months.
- In our base case, we see the P/E multiple of the MSCI EM Index staying around the current level of 11x trailing (i.e. realized) earnings over the next six months. Over the next 12 months, we expect EM earnings growth of around 11% (slightly below consensus).
- Over the past month, structural reforms that will have longer-term benefits were announced in India (retail sector), Russia (energy sector) and Mexico (labor market). This highlights that the emerging economies have options to improve the competitiveness of their economies, if they choose to do so.

↗ Positive scenario **MSCI EM (6-month target): 1,325**

- The outlook for the global economy improves, boosting EM's ability to grow more strongly in 2013. This stronger economic growth leads to earnings growth of 15%. Investor confidence improves, leading to a better P/E multiple of 14x trailing earnings. If oil prices rose too, Russia would benefit in this scenario.

↘ Negative scenario **MSCI EM (6-month target): 800**

- A significant escalation in the Eurozone, a sharp fiscal contraction in the US, and a rapid deceleration in Chinese growth could each hit EM's economic prospects. In such a scenario, we would expect a 20% decline in earnings over six months. More defensive Malaysia would do better, whereas more cyclical South Korea and Russia would underperform. We assume, however, that the market would also be expecting some recovery in earnings for 2014, helping the P/E multiple to recover to 10x trailing earnings.

Note: Scenarios refer to global economic scenarios (see slide 7)

What we're watching	Why it matters
Emerging market monetary policy	Investors are trying to figure out which emerging market central banks still have room to ease monetary policy and where rates may be heading up. **Inflation data is due for Russia (6 Nov), Brazil (7 Nov), China (9 Nov), India (14 Nov) and South Africa (21 Nov).**
Food and oil prices	The prices of grains and oil are higher than this time last year. For now, negative output gaps should counterbalance some of this inflationary pressure.

Recommendations

Tactical (6 months)

- Within emerging markets, we have a preference over six months for the large equity markets, Brazil, China and South Korea. We expect an acceleration of growth into 2013 in Brazil and South Korea, and a stabilization in the case of China. We see relatively less upside for more defensive Malaysia. We believe that South Africa and Indonesia are expensive. The ECB's announcement that it stands ready to buy the bonds of compliant Eurozone governments has lessened the tail risks for the smaller European emerging equity markets (Turkey, Hungary, Poland), but their equity markets are susceptible to setbacks.

Strategic (1 to 2 years)

- Strategically, we would advise that EM portfolios tilt toward cash-rich and faster-growing Asia.

Country preferences within emerging markets (relative to MSCI EM)

Current most preferred markets	Current least preferred markets
Brazil	Indonesia
China	Malaysia
South Korea	South Africa

Asian equities (ex-Japan)

MSCI Asia ex-Japan (24 Oct): 518 (last publication: 510)

UBS view **MSCI Asia ex-Japan (6-month target): 545**

- China released a set of positive data for September. While the headline 3Q GDP number only met expectations at +7.4% YoY (consensus +7.4%, prior +7.6%), the higher frequency data was better. Industrial production of +9.2% YoY (consensus +9.0%, prior +8.9%), retail sales of +14.2% YoY (consensus +13.2%, prior +13.2%), and fixed asset investment of +20.5% (+20.2% consensus, prior +20.2%) all came in higher.
- Chinese H-Shares are up almost 10% in the last month, while the S&P 500 is within 0.4 index points of where it was a month ago. Valuations of MSCI China remain extremely attractive as the market continues to price in a hard landing scenario, although sentiment is clearly turning. In India, the government has proposed several key economic reforms, but there are implementation risks and consensus GDP forecasts still have downside risk, while Indonesia's economic momentum is on track.
- We expect 12.8% earnings-per-share growth over 12 months for the MSCI Asia ex-Japan. It trades on 11.0x 12-m forward earnings and 1.6x price-to-book. We expect a stable earnings multiple in the next six months. Economic growth should stabilize and earnings downgrades come to an end toward the end of 2012.

↗ Positive scenario **MSCI Asia ex-Japan (6-month target): 670**

- More supportive monetary and fiscal policy, stable inflation, sustained domestic demand growth, and an improved global growth outlook lead to a better earnings outlook. In such a scenario, we expect earnings growth of 15% and a trailing P/E of about 15.0x.

↘ Negative scenario **MSCI Asia ex-Japan (6-month target): 400**

- A hard landing in China with a global recession leads to negative earnings revisions for 2012. In this scenario, Asia ex-Japan could trade down to about 10.5x realized earnings.

What we're watching	Why it matters
Politics	Leadership in China is set to change, resulting in a newly defined future economic policy. The US Presidential elections have implications on the outcome of the Fiscal Cliff. **Key dates: Nov 6, 57th US Presidential Elections; Nov 8, 18th Communist Party Congress**
Policy responses	Some other countries in the region have near-term macroeconomic issues due to fiscal and current account deficits, as well as hiccups in market and economic reforms. Policy responses often come on an ad-hoc basis.

Recommendations

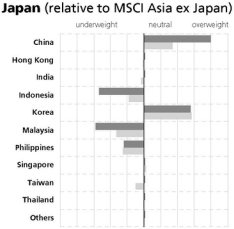
Tactical (6 months)

- The Fed's implementation of QE3 provides support to Asia ex-Japan equities. In conjunction with improving growth prospects we see good near term upside.
- Should economic growth surprise to the upside, more defensive markets such as Singapore and Malaysia are likely to underperform. Instead, higher beta, export-oriented markets like South Korea, Taiwan, Hong Kong and China are likely to take advantage from a strengthening in global growth.

Strategic (1 to 2 years)

- Consider a portfolio mix of high yield stocks largely found in Singapore, Taiwan & HK, complemented by growth-oriented stocks in the rest of Asia.

Country preferences within Asia ex Japan (relative to MSCI Asia ex Japan)



Equity styles

UBS view **Prefer mid caps in US, large caps in Europe**

• We believe that medium-sized companies (mid caps) will outperform large caps in the US. US economic data is forecast to stabilize and then show moderate economic growth in the second half of 2012 and into 2013. The greater domestic sales exposure of US mid caps reduces the earnings risk coming from Europe.
• In Europe, we prefer companies with a large market capitalization (large caps) over ones with a small one (small caps) in the current very challenging economic environment. Small caps generate more sales in Continental Europe than large caps. Thus, they are more negatively affected by weak domestic demand. Small caps also have a more cyclical earnings exposure than large caps.
• Globally, high-quality dividend paying stocks promise to provide a real and stable income stream to investors in the current low-yield environment. Furthermore, they give exposure to the long-term potential of equity markets while tending to suffer less in declining markets.

↗ Positive scenario **Prefer value, low quality and small caps**

• Leading indicators continue to move higher, and risks related to the Eurozone debt crisis subside. In this case, add deep cyclical value (cheap price/book, price/earnings) regardless of the sector, with high beta and high leverage. In such an environment, small and mid-cap stocks should also perform well. A dividend strategy would be too defensive to outperform the market.

↘ Negative scenario **Prefer quality and large caps**

• The global economic picture deteriorates markedly. In this case, buy high-quality growth companies and large caps. Do not look for value opportunities, but be as defensive as possible with your equity exposure. Look to high-quality, dividend-paying stocks for yield.

Note: Scenarios refer to global economic scenarios (see slide 7).

What we're watching	Why it matters
Earnings revisions – see chart (3-month moving average upgrades vs. downgrades)	Watch for signs of improvement in earnings revisions (aggregated from stock level). An improved earnings outlook would cause investors to add more risk – influencing our preferences among equity styles.
US and Eurozone PMIs	PMIs are important for earnings generation and preferences for value, growth and size. **Key dates: Nov 2, PMI manufacturing Eurozone (final); Nov 1, US ISM manufacturing**

Regional differentiation

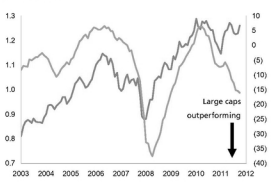
- In the US, we prefer mid caps to large caps. Moderate economic growth should support their earnings generation.
- In the US, there are opportunities in value names that also show strong growth.
- Within Europe, we avoid small caps and instead rotate into large caps.

Strategic (1 to 2 years)

- We expect value strategies to outperform the European market over a multi-year time horizon.
- Mid-cap stocks provide attractive opportunities over the longer term.

Avoid small caps and favor large caps in Europe

DJ STOXX small over large and business confidence



Source: Thomson Reuters, UBS, as of September 29, 2012
Note: Past performance is no indication for future returns.

Section 2.B

Asset class views

Fixed Income

UBS

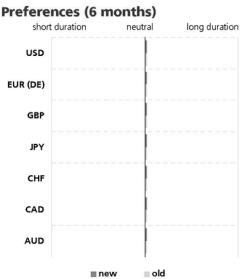
Bonds overview

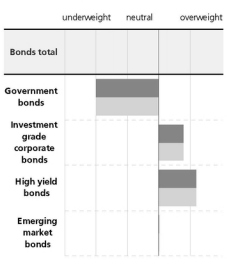
Government bonds – Key points

• We expected government bond yields to move towards slightly higher ranges over the next 6 months, as seen in late 2011/early 2012. This is likely to have a slightly negative effect on most developed government bond prices, and is likely to result in a total return around zero over this period.
• Price fluctuations in the month ahead could originate from developments in the Eurozone and the US. They include the Troika report on Greece, Spanish local elections/referendum and the possible delayed request for additional ECB support in Europe. In the US, the extent of the fiscal cliff is dependent on the election outcome and the results from the debates in the subsequent lame duck session of congress. While we expect the full cliff to be avoided, it poses a significant downside risk to domestic growth.
• Overall, we suggest keeping the duration close to neutral, as we expect global growth to remain lackluster and central banks to continue supporting bond markets.

Corporate and emerging market bonds – Key points

• We maintain a preference for investment-grade (IG) and US high-yield (HY) corporate credit. A strong (US) corporate sector, the ongoing moderate recovery of the US economy, determined central bank support and a strong technical backdrop are likely to further support credit segments.
• Investment-grade corporate bonds have achieved a total return of more than 10% so far this year, at remarkably low volatility. While absolute returns will likely be moderate in the next six months (1-2%), the asset class should continue outperforming government bonds, offering higher liquidity than HY bonds. We see the highest return potential in the lower-rated IG segments (BBB and A).
• US corporate bonds of lower credit quality (HY) remain fundamentally supported by solid balance sheets and a benign US growth outlook. Given the low risk of default losses, valuations are attractive at an effective yield of above 6%. For US HY, we expect mid single-digit total returns in the next six months. US senior loans are an attractive alternative to traditional fixed income assets.
• Emerging market (EM) bonds should continue to benefit from better fundamentals than those of developed markets over the medium term. However, valuations have now moved towards a fair level for sovereign bonds (in USD) and we take profits on selected sovereign bond issuers. For EM corporate bonds in USD, there is still some potential for spreads to trend lower in the quarters ahead, and we continue to recommend this area as a CIO-preferred theme.





Source: UBS CIO WM Global Investment Office

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Please see important disclaimer and disclosures at the end of the document.
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US rates

Duration preference: neutral

US 10-year (24 Oct): 1.8% (last month: 1.8%)
US 10-year (6-month forecast): 2.0%

UBS view

- US 10-year yields traded largely sideways within a narrow range. Improving domestic economic and sentiment data was balanced by concerns of the elections/fiscal cliff weighing on the US economy. However, both the ECB and the Fed have provided substantial and credible backstops that significantly reduce tail risks. This reduces the flight to quality and the risk discount placed on Treasuries in the event of a re-escalation of the European debt crisis. This represents a clear floor with little chance of retesting the historical lows of July (~1.4%). In addition, the Fed's willingness to fall behind the curve in support of the domestic labor market will increase inflation expectations over the medium term. This implies steeper yield curves.
- In addition, the credible and conditional central bank backstops have already improved sentiment and should help to kick-start growth if politicians provide the necessary tailwinds. Yields will then return to their slightly higher, previously stable ranges over a six-month horizon (1.8%-2.1%).
- At the same time, US yields should be capped, as the US economy continues to be vulnerable to spillover effects from the Eurozone. Structurally weak growth which will be dampened by the upcoming US fiscal consolidation, will add to volatility and limit the increase in yields.

Positive scenario for US bonds — **US 10-year (6-month range): 1.4–1.6%**

- US fiscal deleveraging beyond our expectations weighs on the cyclical recovery and is a drag on yields.
- A re-escalation of the European debt crisis burdens yields. Implementation risks in the ECB framework remain, given that Italy and Spain have not yet made the necessary application, which will result in the peripheral spread widening. At the same time, Greece is likely to announce a second debt restructuring and leave the Eurozone next year.
- The labor market fails to recover, increasing the likelihood of even more MBS purchases or alternative measures, and yields stay low or fall further.

Negative scenario for US bonds — **US 10-year (6-month range): 2.1–2.5%**

- If the ECB buying of short-dated Spanish and Italian sovereign bonds increases risk appetite, it would reduce the flight to quality more substantially and this represents an upside risk to our forecasts.
- If EU leaders make progress toward increased fiscal integration, and US growth recovers with a rapidly improving labor market, then yields could rise more significantly.

Note: Scenarios refer to global economic scenarios (see slide 7)

What we're watching	Why it matters
Fed policy	The Fed's assessment of the labor market determines its stance on quantitative easing and is key for yields. Key dates: **Nov 2, NFP; Dec 11 Fed FOMC meeting**
Inflation expectations	Current yields do not reflect low real-interest rates, but rather normal inflation expectations. Inflation expectations increased on the back of the latest Fed action, leading to more upside risk for long maturity yields.
US presidential election/Fiscal cliff & debt ceiling	The US presidential election will guide fiscal spending for the coming years.

Recommendations

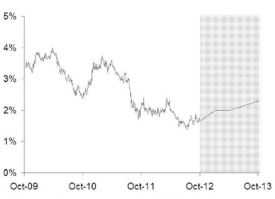
Tactical (6 months)

- Weak global growth momentum, ongoing bond market support from central banks and the lingering euro crisis are likely to keep yields at extraordinarily low levels for some time. Tactically, we suggest a neutral duration position.

Strategic (1 to 2 years)

- Yields have significant upside potential over the next couple of years given the extraordinarily low current levels of real interest rates in particular. Thus clients with a longer time horizon should focus on bonds with short and medium maturities.

USD 10-year yields and forecasts



Source: Bloomberg, UBS, as of October 15, 2012

Note: Past performance is not an indication of future returns.

European rates

Duration preference: neutral

EUR (DE) 10-year (24 Oct): 1.6% (last month: 1.6%)
EUR (DE) 10-year (6-month forecast): 1.8%

UBS view

- Bund yields have trended sideways over the month, lacking a directional trigger. Markets still await crucial developments in Spain, Greece and the extent of the US fiscal cliff, and have not fully reflected mixed but stabilizing fundamentals. However, when compared to the all-time lows witnessed in August (~1.2%), yields are still trading at decisively higher levels. This is supported by the ECB announcement to act as a lender of last resort by intervening in the secondary markets with unlimited and conditional government bonds purchases. In addition, the open-ended Fed stimulus hinging on the labor market contributed to improving sentiment. This provides a cap for short-term peripheral yields and a floor for Bund yields.
- Over a six-month horizon, we expect yields to trend slightly higher, returning to previously higher ranges. The central bank backstops have already improved confidence and resulted in convergence between the periphery and the core. This speaks for slightly better growth prospects and thus slightly higher yields.
- However, growth is still structurally weak, and short-term uncertainties (US elections, fiscal cliff, Spain) remain. Consequently, short-term downside risks persist around year end. The ECB, however, will limit the spread from widening, providing a bottom to Bund yields as well.
- In the UK, economic data stabilized and we expect the BoE to extend quantitative easing in November.
- In Switzerland, yields rose only slightly owing to mixed economic data. The Swiss National Bank stands ready to act. With much negative news priced in, we believe Swiss yields will gradually start to normalize.

↗ Positive scenario for German bonds — **10-year Bund yield (6-month range): 1.2–1.5%**

- Implementation risks in the ECB framework remain, in particular the need for Italy and Spain to apply for aid. At the same time, Greece may announce a second debt restructuring and is likely to leave the Eurozone in 2013.
- US fiscal deleveraging beyond our expectations weighs on the cyclical recovery and is a drag on yields.
- Further non-standard policy measures by the Fed are supportive for Bunds and speak for lower yields.

↘ Negative scenario for German bonds — **10-year Bund yield (6-month range): 1.8–2.3%**

- A moderate Eurozone economic recovery kicks in. Spain and Italy are ahead on their austerity commitments without needing ECB support. This reduces safe-haven inflows, driving Bund yields higher. Alternatively, Germany gives additional guarantees and the Eurozone moves towards a transfer union.

Note: Scenarios refer to global economic scenarios (see slide 7)

What we're watching	Why it matters
Political risks and fiscal cliff	The US fiscal cliff, Greek negotiations, Spanish local elections and Spain delaying its application for assistance add to policy uncertainty.
Central banks	Key dates: **Nov 8, ECB; Dec 11, Fed FOMC meeting**
Economic variables	Credit conditions (ECB bank lending survey)
Eurozone yield spreads	The level of yield spreads to German bonds influences the level of German Bund yields due to safe-haven flows.

Recommendations

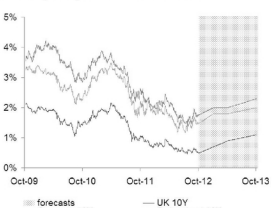
Tactical (6 months)

- If the ECB were to intervene with massive amounts in the peripheral bond markets, Bund yields would rise more significantly. But, for the time being, we expect only moderate interventions that do no meaningful harm to Germany's credit quality. We recommend staying neutral on duration tactically.

Strategic (1 to 2 years)

- Yields have significant upside potential over the next couple of years. Thus clients with a long time horizon should focus on bonds with short and medium maturities.

EU 10-year yields and forecasts



Source: Bloomberg, UBS, as of October 15, 2012

Note: Past performance is not an indication of future returns.

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Investment grade corporate bonds

Preference: overweight

Current global spread (24 Oct): 150bps (last month: 173bps)

UBS View **Spread target (6-month): 140bps**

- Given the recent rally in investment grade (IG) bonds, spreads have approached fair levels, in our view and are likely to trade more or less sideways in the coming 6 months. Still, IG bonds will likely continue to outperform government bonds, offering low volatility and stable income.
- We lower our spread target from 170bps to 140bps due to the improved global macro and risk environment after recent central bank action and the pickup in economic data. IG bonds remain supported by our outlook for sluggish but positive global growth, ongoing investor appetite for income-generating assets, and expected negative net issuance.
- Non-financial corporates: While total yields are at record lows, the pickup over government bonds and money market rates is still attractive. Aggressive re-leveraging by companies looks unlikely.
- Financial corporates: Due to regulatory challenges, spreads are expected to remain above past averages. US banks are in a more favorable position than their European peers as they are better capitalized and earnings have been strong recently. US financial spreads are thus likely to tighten further.

↗ Positive scenario **Spread target (6-month): 130bps**

- Global growth accelerates more forcefully than expected. This could compress spreads closer to pre-crisis levels. Spreads for Financials are likely to remain elevated due to regulatory challenges. However, in this case, rising benchmark yields would likely lead to slightly negative IG returns over six months.

↘ Negative scenario **Spread target (6-month): 380bps**

- Main risks include a sharp slowdown of the US economy (e.g. the "fiscal cliff"). Also, risks in the Eurozone persist (e.g. Greek exit, Spain/Italy getting cut off from private funding). Still, we would be unlikely to see spread levels reached in 2009, given companies' superior balance sheet positions. European financial issuers would be most at risk.

Note: Scenarios refer to global economic scenarios (see slide 7)

What we're watching	Why it matters
Core market yields	Developed market sovereign yields are only expected to increase gradually. A sudden rise and high volatility would hurt IG credit. **Key dates: 8 Nov, ECB rate decision; 11 Dec, US Fed rate decision**
Corporate fundamentals	Robust corporate earnings and low leverage on corporate balance sheets should help prevent defaults. **Key dates: US "earnings season" (ongoing)**
New issuance	As companies continue to deleverage, net negative supply on the IG market should support higher prices.

Recommendations

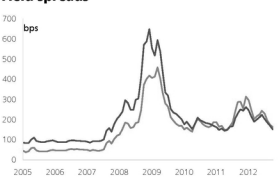
Tactical (6 months)

- We keep an overweight in IG corporate over government bonds.
- In Europe, internationally diversified companies from non-financial sectors offer a low but stable income stream for conservative investors.
- Financials in the US are in a better position than their European peers.
- We recommend bonds from the lower IG rating segments (BBB and A) over higher-rated issuers.

Strategic (1 to 2 years)

- We prefer corporate over sovereign assets given how much more robust companies are compared to the structural weakness of public finance in many countries.

Yield spreads



Source: Bloomberg, UBS, as of 16 Oct 2012

Note: Past performance is not an indication of future returns.

High yield corporate bonds

Preference: overweight

Spread USD HY (24 Oct): 540bps (last month: 573bps)

UBS View **USD HY spread target (6-month): 475bps**

• We reiterate our spread target of 475bps based on still robust corporate fundamentals, a favorable technical backdrop and the commitment of major central banks to provide strong monetary support. In particular, the Fed's buying of mortgage-backed securities (MBS) is likely to provide further support for the credit universe.

• Thus, US high yield (HY) bonds continue to offer attractive value although spreads tightened considerably in Q3. We think the recent rally has been justified in light of the favorable default outlook and central bank action. The ongoing slow recovery of the US economy, healthy company balance sheets, robust earnings, and strong investor appetite for yield assets continue to push spreads lower. US HY thus remains our preferred asset class.

• Despite the recent uptick in defaults, in the absence of a renewed US recession, we expect the default rate to remain stable at 3.5% until the end of the year. A heavy load of new issuance so far this year means that HY companies will be faced with a lower risk of failed refinancing going forward (e.g. in case of an unexpected economic slump).

↗ Positive scenario **USD HY spread target (6-month): 400bps**

• Even in the positive economic scenario, spreads are unlikely to tighten to pre-crisis lows of below 300bps due to lower liquidity and a generally higher risk premium after the financial crisis. Benchmark yields would rise, limiting HY returns to around 7%. European HY outperforms the US.

↘ Negative scenario **USD HY spread target (6-month): 1,000bps**

• A global recession is the major risk for high yield bonds. Based on the robust state of the corporate sector, we would not expect spreads to surpass "usual" recession levels around 1,000bps. Although short-term spikes are possible due to liquidity suddenly drying up, we expect a quick normalization.

Note: Scenarios refer to global economic scenarios (see slide 7)

What we're watching	Why it matters
Credit quality/ default cycle	US earnings were roughly flat in 2Q compared to 1Q. A modest pickup is expected in 2H. Balance sheets are backed by high cash levels and low debt ratios. Against this backdrop the default rate will likely remain below its long-term average.
New issuance	For now, favorable conditions in the primary market have mainly been used for refinancing. More aggressive issuance activities should be monitored.
Bank lending standards	Bank lending provides an important source of funding. US banks relaxed standards further in early 3Q. **Key dates: late October, US Fed Senior Loan Officer Survey**

Recommendations

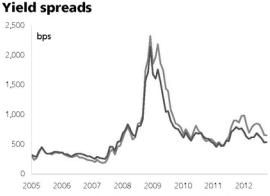
Tactical (6 months)

- US high yield corporate bonds offer an attractive return outlook and should be overweighted.
- We prefer US over European issuers given the increasing proportion of peripheral and financial issuers in the European HY universe and the poorer economic outlook in Europe.
- Inflows into HY mutual funds have been strong so far in 2012. New issuance was strong in Q3.

Strategic (1 to 2 years)

- We expect US defaults to remain at below-average levels for longer. Significant re-leveraging is unlikely in the medium term.
- We believe US high yield corporate bonds will provide good returns both relative to other fixed income and for absolute return-oriented investors.

Yield spreads



Source: Bloomberg, UBS, as of 16 Oct 2012

Note: Past performance is not an indication of future returns.

UBS

Emerging market bonds

Preference: neutral

EMBI Global/CEMBI spread (24 Oct): 281bps / 334bps (last month: 292bps /363bps)

UBS View **EMBI Global/CEMBI spread target (6-month): 275bps/290bps**

- Current spread levels of EM sovereign bonds are roughly in line with fundamentals. We think valuations of EM corporate bonds are more attractive than valuations of EM sovereign bonds. Additionally, the gradual recovery in EM we expect over coming quarters should support the performance of EM corporate bonds relative to EM sovereign bonds. Corporate bonds tend to outperform sovereign bonds during periods of accelerating growth.
- However, absolute returns of EM bonds will be lower than in the past, we think, as the room for spreads to tighten further has become more limited. We expect total returns of less than 2% for EM sovereigns and close to 4% for EM corporate bonds over the next six months.
- Negative headlines from the Eurozone or global growth fears might put renewed short-term pressure on EM bond prices. We think that periods of price weakness offer attractive entry points.

↗ Positive scenario **EMBI Global/CEMBI spread target (6-month): 235bps/230bps**

- Yield stability in Europe's core markets and higher-than-expected growth in the US would provide a favorable backdrop for EM fixed-income spreads. In such an environment, issuers of lower credit quality would likely fare better. Average spreads could tighten to below 240bps in such an environment.

↘ Negative scenario **EMBI Global/CEMBI spread target (6-month): 555bps/750bps**

- An environment of renewed escalating risk aversion in Europe, deteriorating EM funding markets, weakening global growth prospects, and lower commodity prices could impact EM credit negatively. Liquidity in emerging market bonds could dry up and spreads could spike.

Note: Scenarios refer to global economic scenarios (see slide 7)

What we're watching	Why it matters
Core market yields	The direction of US Treasury and German Bund yields are important for EM fixed income spreads, especially for USD- and EUR-denominated bonds. **Key date:** Dec 6, European Central Bank meeting
Capital flows	The European debt crisis may lead to further periods of outflows and weaker prices, which could offer attractive entry levels for investors.
Monetary policy cycles	Monetary policy easing remains a key topic for local currency bonds. We look for central bank policy announcements in key markets. **Key policy rate announcement dates:** Nov 11, Indonesia; Nov 20, Turkey; Nov 22, South Africa; Nov 30, Mexico

Recommendations

Tactical (6 months)

- EM corporate bonds are particularly attractive due to their favorable valuations, solid fundamentals, and relatively short duration. We advise clients to focus on investment grade bonds in the current environment. We recommend taking profit on selected EM sovereign bonds. Please refer to our EM bond list for issuer- and bond-specific guidance.

Strategic (1 to 2 years)

- EM bonds are attractive for longer-term investors looking for higher yields.
- Local markets in Asia offer interesting opportunities for longer-term investors because of a supportive currency outlook.

EM sovereigns relatively expensive compared to EM corporates

Spreads of EM bonds over US Treasuries, in bps

Source: JP Morgan, UBS, as of 15 October 2012

Note: Past performance is not an indication of future returns.

UBS

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Section 2.C

Asset class views

Foreign Exchange

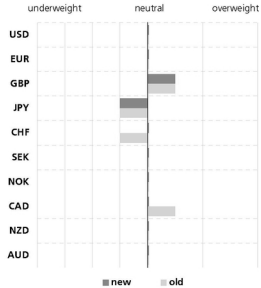
UBS

Foreign exchange overview

Foreign exchange – Key points

- The ECB's announcement of Outright Monetary Transactions (OMT) has reduced tail risk in the Eurozone considerably, while the Federal Reserve announcing a new round of potentially unlimited asset purchases at their September 13 meeting has weakened the USD. Given that the ECB action was EUR-positive and the Fed action USD-negative, EURUSD has jumped considerably, but since then moved little.
- We believe the risks to the pair are now more balanced, and see a range between **EURUSD** 1.28–1.35 for the months ahead. A Spanish ESM/OMT request would be EUR positive. While the US elections and US fiscal cliff could lead to short term USD strength, we see the USD weaker over the next 6 months.
- The **CAD** remains supported by better growth dynamics in Canada and QE in the US. However, we believe the recent appreciation against the USD could see a near-term setback and we close the overweight.
- We keep the overweight position in the **GBP** despite the current asset purchasing program by the Bank of England (BoE), which we believe will be terminated in November. The GBP remains well supported given the recent rebound in economic data, the expectation of a stronger economy in 2013 and because investors are seeking liquid alternatives to the EUR, the USD and the JPY.
- **EURCHF** has traded higher in our 1.20–1.23 range recently and we continue to see the pair in that range. The SNB protects the downside, while a strong upside move is also limited by a potential flare-up in the euro crisis and reserve unwinding of the SNB at some point. Given this balance, we have decided to close the underweight in the CHF.
- Sweden and Norway stand out for their lower debt-to-GDP ratios and current account surpluses. Both the **SEK** and **NOK** have appreciated on diversification and safe-haven inflows, but economic data in both countries has become weaker recently, which led to a setback in the SEK. A rate cut in Sweden cannot be ruled out, but seems to be priced in already.
- Longer-term debt issues and weak competitiveness of major exporters are hurting the Japanese economy and PMIs have disappointed. We therefore think the Bank of Japan and Ministry of Finance will maintain an expansive policy bias and continue trying to weaken the **JPY**. We are underweight JPY.
- For commodity currencies, the **AUD** and **NZD** continue to trade at the top of their well established ranges. We got the expected rate cut in Australia and expect another cut by year end. Do not buy AUD above AUDUSD 1.00. We have a preference for the NZD over the AUD.
- We maintain a positive medium-term view on **emerging market (EM) currencies**. This is supported by higher short-term rates which provide an attractive yield pick-up relative to developed market currencies as monetary policies are expected to remain loose for longer. We think investors should increase EM FX exposure across regions. Lower tail risks in Europe should be especially supportive of the higher-yielding currencies in **EMEA** and **Latin America**.
- Our most preferred emerging market currencies are currently the **MXN, ZAR, PLN, KRW and SGD.**We expect the **CNY** to appreciate 2% against the USD, moving towards 6.20 over the coming 12 months. Internationally marketable instruments (such as CNH, the offshore version of the Chinese currency traded in Hong Kong) have similar appreciation potential.

Preferences (6 months)



Source: UBS CIO WM Global Investment Office

G10 currencies

UBS View **See table for current exchange rates and CIO forecasts**

- We believe the risks to the **EURUSD** currency pair are now more balanced, as tail risks on the European side have been considerably reduced.
- The **GBP** trended higher despite stimulus measures by the Bank of England. The main reason is the need for diversification out of the EUR and USD and decisive UK policy making. We maintain an overweight after the strong rebound of economic data in 3Q 2012 which we expect to persist into 2013.
- The **CAD** remains supported by better growth dynamics. However in the short term, around the US elections and fiscal cliff debate, a setback cannot be ruled out. We also remain underweight in the **AUD**.
- The SNB has shown that it can defend the **CHF** floor. With EUR tail risk reduced the CHF likely recovers together with the EUR against most other currencies. Thus we close the CHF underweight.
- We expect stronger policy intervention in Japan to weaken the **JPY** over the coming months.

↗ Positive scenario **FX targets: EURUSD >1.35 / EURJPY 115**

- The announcement of unlimited QE in the US, as well as a stronger-than-expected acceleration of global growth or further European integration would be EURUSD positive. EURUSD should trade above 1.35 in this case. Yen weakness should come as the Bank of Japan intervenes to weakens its currency.

↘ Negative scenario **FX targets: EURUSD <1.25 / EURJPY 90**

- The European growth outlook deteriorates further with continued recession in 2013. The euro could rapidly fall below 1.25. A European debt-default cascade (possibly triggered by a disorderly Greece euro exit) is a tail risk for the single currency. Risk aversion would lead to an extended USD and JPY rally.

Note: Scenarios refer to global economic scenarios (see slide 7)

What we're watching	Why it matters
Chinese growth	We expect China to land softly and then recover. Should China disappoint with a hard landing, then risk-unwinding would support USD and JPY vs. risk-taker currencies. In the base case, a Chinese recovery should support the AUD in the medium term, but a dip below parity is likely in the short term.
European sovereign crisis, ECB policy	The main focus lies on the Spanish application for ESM/ECB support, which would be EUR positive; a rate cut (not expected) would hurt the EUR. **Key date: Nov 8, ECB meeting**
US growth and Fed policy response	What will the Fed do once Operation Twist ends at year end? How will the presidential elections change political power in Washington? **Key dates: Nov 6, US presidential elections; Dec 12, FOMC meeting**

Recommendations

Tactical (6 months)

- We continue to have a preference for the GBP and keep the short in the JPY.

Strategic (1 to 2 years)

- We recommend that investors diversify from large USD and EUR exposures into minor currencies. Structural financing issues weigh on all the major currencies.
- The best diversifiers based on long-term macroeconomic fundamentals are the CAD and the SEK. The AUD, NOK and CHF should only be added at better entry levels. The GBP also remains attractive.

UBS CIO FX forecasts

	24-10-12	3M	6M	12M	PPP
EURUSD	1.294	1.30	1.32	1.34	1.30
USDJPY	79.75	80	82	86	79
USDCAD	0.991	0.94	0.94	0.92	0.98
AUDUSD	1.0322	0.97	1.00	1.05	0.74
GBPUSD	1.6018	1.65	1.68	1.70	1.69
NZDUSD	0.8138	0.78	0.80	0.83	0.60
USDCHF	0.9346	0.93	0.92	0.92	1.03
EURCHF	1.2097	1.21	1.21	1.23	1.33
GBPCHF	1.4974	1.54	1.54	1.56	1.73
EURJPY	103.27	104	108	115	102
EURGBP	0.8079	0.79	0.79	0.79	0.77
EURSEK	8.6577	8.20	8.00	8.00	8.86
EURNOK	7.4373	7.30	7.20	7.20	8.53

Source: Thomson Reuters, UBS, as of 15 October 2012
Note: Past performance is not an indication of future returns.

Emerging market currencies

UBS View **See table for current exchange rates and CIO forecasts**

- We continue to like emerging market (EM) currencies over a medium term horizon. We think monetary policies of major central banks will remain loose for longer whereas the easing cycle in several emerging markets is over. This should support EM currencies relative to major currencies (USD, EUR, and JPY). Long term investors should therefore diversify into EM currencies using surplus exposure to these currencies.
- In Europe, both the Polish zloty (**PLN**) and the Turkish lira (**TRY**) have supportive fundamentals in the long-term and could benefit from inflows into their fixed-income market which offers attractive yield relative to G4 currencies. Due to structural reasons we remain cautious on the Hungarian forint (**HUF**).
- The South African rand (**ZAR**) is currently attractively valued, but Investors should be willing and able to tolerate bouts of volatility due to the current strikes and a cyclical slowdown of the economy.
- In Asia, we like the Korean won (**KRW**), the Singaporean dollar (**SGD**) and the Malaysian ringgit (**MYR**) as all three countries have a strong economy and should benefit from increasing liquidity and a recovering Chinese economy.
- In Latin America, the Mexican peso (**MXN**) remains attractively valued, despite its recent rally.

Positive scenario **> 5% outperformance of EM FX against G4 currencies over a 6-month horizon**

- Macroeconomic data comes in stronger than expected and contagion risks in Europe subside further. EM exchange rates could appreciate swiftly against major currencies (USD, EUR, and JPY).

Negative scenario **> 5% depreciation of EM FX across regions against USD over a 6-month horizon**

- Global growth prospects suffer a prolonged deterioration and the European debt crisis intensifies. EM exchange rates could see a significant, although likely temporary, sell-off across regions.

Note: Scenarios refer to global economic scenarios (see slide 7)

What we're watching	Why it matters
Inflation dynamics in EM	Inflation dynamics are important to forecast central bank policy rate decisions. Monetary easing typically weighs on EM currencies, while rate hikes tend to be supportive. **Key policy rate announcement dates: 11 Nov, Indonesia; Nov 20, Turkey; Nov 22, South Africa; Nov 30, Mexico**
European sovereign crisis	Setbacks in sentiment will likely lead to bouts of EM currency depreciation, providing attractive entry points for longer term investors.
Growth	Growth in the US, Europe, and China is key for risk sentiment, growth prospects in EM. **Key date: Dec 6, European Central Bank meeting**

Recommendations

Tactical (6 months)

- Several EM currencies look attractive at current levels and we advise investors to keep existing holdings for further gains while increasing exposure to our preferred EM currencies (KRW, SGD, MYR, MXN, TRY, PLN, ZAR), using the JPY, USD, and EUR for funding.

Strategic (1 to 2 years)

- We recommend EM currencies backed by stable fundamentals as a strategy to diversify currency exposure.
- Our favorites include the Chilean peso, Mexican peso, Czech koruna, Polish zloty, Chinese renminbi, Korean won, Malaysian ringgit, and Singapore dollar.

UBS CIO EM FX forecasts

	24.10.2012	3-month	6-month	12-month
Americas				
USDBRL	2.02	1.95	1.90	1.85
USDMXN	12.9	12.7	12.5	12.3
Asia				
USDCNY	6.25	6.30	6.30	6.20
USDINR	53.6	53.0	54.0	55.0
USDIDR	9,615	9,400	9,400	9,400
USDKRW	1,103	1,100	1,080	1,050
USDSGD	1.22	1.21	1.20	1.19
EMEA				
EURPLN	4.12	4.30	4.15	3.90
EURHUF	280	290	300	300
EURCZK	24.9	26.0	25.0	24.3
USDTRY	1.80	1.75	1.75	1.72
USDZAR	8.66	8.20	7.90	7.80
USDRUB	31.1	33.0	32.0	31.0

Source: Bloomberg, UBS, as of 15 October 2012
Note: Past performance is not an indication of future returns.

Section 2.D

Asset class views

NTAC: Commodities, Listed real estate, Hedge funds and Private equity

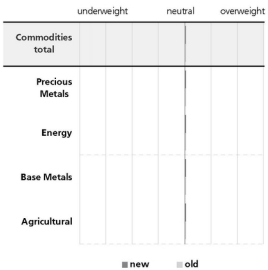
UBS

Commodities overview

Commodities – Key points

- The impact of new quantitative easing (QE) measures on commodity prices is losing strength, as broadly diversified commodity indices have not been advancing anymore on a month-on-month basis. Investors have started to reflect on the underlying economic challenges that motivated the easing decisions by key central banks. With global economic growth barely accelerating, the asset class will struggle to appreciate firmly over the coming months. We therefore advise investors to have only **low single digit return expectations for commodities warranting a neutral stance.**
- **Gold** is less depending on economic growth, however the metal could be a beneficiary of ample liquidity provided by central banks. But ebbing QE news flow at a later stage (6-12 months) might challenge the necessary investment demand inflows to balance the market. Hence, **we stay neutral on precious metals**.
- The return outlook of the **energy** sector remains not compelling in 4Q12 and we **stay neutral**. Global crude oil supply should expand firmly and surpass incremental demand in 4Q12. We think this will bring Brent crude oil prices temporarily towards USD 95/bbl while WTI should slide towards USD 78/bbl in 4Q12. However, a weaker USD due to QE3, ongoing social turmoil in the Middle East and North Africa and the risk that Iranian tensions have the potential to heat up after the US presidential elections are likely to keep the oil price at around USD 105-110/bbl in 6 months. In addition, demand growth from EM countries in 1Q13 could start to gather pace.
- **Base metal** prices should hold their ground, with China's growth deceleration coming to an end. So we keep our **neutral stance**. That said, it is too early to call for a strong extension of the liquidity driven price rally seen until now, despite the RMB 1 trillion in infrastructure approvals by the NDRC (National Development and Resource Commission) in rail, highways, ports and other infrastructure projects. Many of the announced projects are already part of the 12th 5-year plan. The incremental demand impact of speeding up investments should therefore be rather muted this time compared with previous stimulus packages. Besides that, China's steel intensity for one unit of RMB of investment (FAI) has halved over the last 5 years.
- A 15% increase in **grain prices** remains our base case for 4Q12, with room for prices to top out in 1Q13. Demand rationing in case of corn and soybeans is still needed to limit the damage done to global inventories by lower supply. The quarterly stock and the monthly WASDE report by the USDA are reiterating the critical conditions of US grain inventories. The **softs**, on the other hand, should remain under pressure due to ample South American production and export activity. That said, the sub-sector already weakened quite a bit, which will limit the downside in the short run and we **remain neutral**.

Preferences (6 months)



Source: UBS CIO WM Global Investment Office

Precious metals

Preference: neutral

Gold (24 Oct): USD 1,702oz (last mont: USD 1,764/oz)

UBS View (gold) **Gold 6-month target: USD 1,875/oz**

- So far we saw inflows into gold of around 4 million ounces via physically backed ETFs since Bernanke's speech at Jackson Hole. We expect this trend to continue and to lead to an undersupplied market, with financial demand also finding its way into gold futures and physical gold bars and coins.
- Additional demand support comes from central banks, which are likely to further increase their foreign reserve allocation to the yellow metal. At the same time the drag from India's jewelry demand is set to fade with an already lower base in 2H11 and a stabilizing Indian rupee.
- Securing sufficient investment demand to push prices sharply higher is different from securing the needed demand over a long period of time, and along these lines we see less support for the price over a 6-month perspective. Secondly, from a portfolio perspective we currently prefer to take some risk off the table instead of on, and we thus maintain our neutral stance on gold.

↗ Positive scenario **6-month target: USD 2,250/oz**

- Unorthodox monetary policy measures by the Fed start to weaken the USD persistently. Moreover, the risk of a Eurozone breakup intensifies, which triggers a tidal wave of investment demand for gold.

↘ Negative scenario **6-month target: USD 1,450/oz**

- A hard landing of China and India or the Fed backing off from the recent monetary policy announcements would be a key drag on the yellow metal. The latter would have the strongest impact.

What we're watching	Why it matters
Physical demand/supply	In the months ahead, with the festive season in India starting and monsoon activity having improved considerably, supporting rural incomes, Indian physical demand is likely to pick up. **Key dates: World Gold Council mid-November release**. Mining activity in South Africa is unlikely to return to normal in the coming months. Hence, we are closely tracking mining news from South Africa, including the aggregated PGM IP numbers to assess the overall situation.
Investment flow	In order to see the gold price reaching our target, investment inflows into physically backed ETFs need to continue. To gauge investor interest in gold (sector) a build-up in futures positions is likely to materialize as well.
Monetary policy	**Key dates: 2 Nov US payrolls; 8 Nov ECB meeting, 12 Dec Fed meeting**

Recommendations

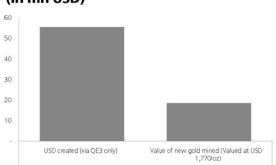
Tactical (up to 6 months)

- Although it is possible for gold to test its all-time high in the next three months, we are aware that the metal has already appreciated firmly ahead of the QE3 announcement, which requires an ever growing amount of investment demand to hold the current upward trajectory.

Strategic (1 to 2 years)

- To protect investors' portfolios from unorthodox monetary policy measures, holding gold exposure is a viable and attractive strategy. Alternatively, we recommend palladium as well as platinum. Structural supply issues with regard to platinum and a reduction in Russian stock sales of palladium speak in favor of PGM exposure, despite higher volatility.

Money created per hour (in mn USD)



Source: WGC, Bloomberg, UBS, as of Oct. 2012
Note: Past performance is not an indication of future returns.

Brent (24 Oct): USD 109/bbl (last month: USD 111/bbl)

UBS View (crude oil) **Brent 6-month target: USD 105-110/bbl**

• Growing fear over an escalation of the Syrian civil war, involving Turkey, allowed crude oil prices to move higher again. While Syria's crude oil exports already dropped to near zero due to international sanctions, the oil market's concerns relate to the Kirkuk–Ceyhan oil pipeline (Iraq-Turkey – capacity of 0.4mbpd) and the crude exports from the Turkish port of Ceyhan, around 70km from the Syrian border.

• Though we believe that Syria and Turkey are not interested in a military confrontation, a stop of crude oil flows from Iraq via Turkey would curb global incremental crude oil supply in 4Q12 by more than 50%. It would also tighten up the market balance in early 2013 and put additional pressure on the structurally low spare capacity in the crude oil market.

• In the absence of a further escalation, which remains our base case, ebbing news related to Syria-Turkey is likely to ease supply concerns. This should keep the market focus on weak demand growth and strong crude oil output from North America, allowing the Brent price to temporarily reach USD 95/bbl.

• A weaker USD, reduced economic tail risk for Europe, ongoing social turmoil in the Middle East and North Africa and the risk that the Iranian topic heats up again after the US presidential elections are likely to keep the Brent price around USD 105-110/oz in 6 months.

↗ Positive scenario **Brent 6-month target: USD 140–180/bbl**

• Iranian oil exports are subject to a complete embargo, which would drain another 0.5–0.75 mbpd of global crude oil supply. Alternatively, a military confrontation that affects crude oil supply via the Strait of Hormuz would be the ultimate supply shock, requiring crude oil to be rationed on a large scale.

↘ Negative scenario **Brent 6-month target: USD 75–80/bbl**

• Political tensions lead to a breakup of the Eurozone or intensify the economic contraction. At the same time, the Fed is not successful in promoting growth. Supply-wise, a restoration of Iranian exports and no supply cuts by OPEC would push oil inventories firmly up and weaken Brent prices towards USD 80/bbl.

What we're watching	Why it matters
Iran tensions	The biggest risk related to a potential military confrontation is an Israeli air strike on nuclear facilities in Iran. A preemptive strike could easily destabilize the region even further and threaten global crude oil supply.
Supply	Changes in the US gasoline blending mandate with ethanol (made from corn) might fuel higher crude oil prices as spare capacity increases slides further.
	US crude oil supply progress (room to grow by 1.3 mbpd from 2011 to 2013) is a vital offsetting factor to supply outages seen in the MENA region.
Demand	Most of China's demand growth seems to be related to stock building (strategic and by refineries). If this is true, the import should stay on the weak side y/y.
Oil market reports	Key date: **13 Nov,** IEA Oil market report

Recommendations

Tactical (6 months)

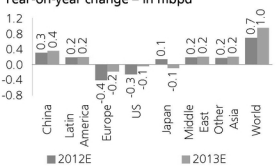
• OPEC is in a good position to balance the oil market, which should limit the price weakness. Along with central banks' support and with the geopolitical risks remaining, we believe that the potential downside for the oil price has declined, thereby warranting allocation.

Strategic (3–5 years)

• We regard the long end of the forward curve in crude oil as mispriced. To satisfy emerging market demand in the long run, prices around USD 90–95/bbl are unlikely to secure the needed investments to keep supply growing adequately. This gives strategically oriented crude oil investors the opportunity to build up some long-term crude oil exposure over the next three to five years.

Petroleum demand in selected markets

Year-on-year change – in mbpd



Source: UBS, as of Oct. 2012

Note: Past performance is not an indication of future returns.

Base metals

Preference: neutral

Current (24 Oct) (last month)**: Copper USD 7,815/mt** (8,271); **Nickel USD 16,336/mt** (18,351); **Aluminum USD 1,912/mt** (2,079)

UBS View **6-month target: Copper: USD 8,800/mt; Nickel: USD 19,000/mt; Aluminum: USD 2,100/mt**

- After the swift uptick in prices, base metals have been under renewed pressure. The initial price strength – a simple catch up with Chinese prices triggered by a shift in demand expectations – is losing strength.
- In order to continue the price rally, a firm increase in final metal demand is needed. Since global economic growth is far from seeing such a demand uptick in industrial activity during 4Q12, we think that prices are likely to trade only sideways in the coming months before trending higher in 1Q13.
- Loose monetary policy is a good precondition for activity to pick up, but not a guarantee after so many rounds of monetary stimulus. We therefore look east to China. Although industrial activity growth in China is likely to bottom out, the upcoming leadership change in the country (November 2012 to March 2013), will likely delay a bigger investment program into 1Q13. The latest stimulus program will probably prevent Chinese IP from decelerating even further, but will not lift it meaningfully higher.
- On a single commodity level, we favor copper and nickel. For nickel, short-term supply issues due to a slower ramp up of new and existing projects have temporarily brought the market closer to balance than initially expected. Furthermore, we should see higher Chinese stainless steel demand with stabilizing housing activity and a demand pick up in stainless steel related products.
- With regards to copper, we expect import activity to remain strong, as seen in the import figures for September. Overall, the copper market should remain undersupplied, which could widen if financial demand is finding some store of value in the metal. We think this puts structurally low LME inventories at risk and should push the metal price towards USD 8,800/mt or higher over six months.

Positive scenario

- China eases monetary policy aggressively, pushing credit growth to 20% y/y. In the US the Fed is able to lift GDP growth via QE3 and the ECB puts an effective backstop to declining industrial activity.

Negative scenario

- To passive Chinese authorities keep GDP growth on a constant deceleration path. A severe escalation of the Eurozone crisis (room for a break-up) triggers a setback in investment activity – including in Germany.

What we're watching	Why it matters
Demand	China's growth deceleration should come to an end. But hard economic activity indicators, especially for China, have yet to catch up with the increase in prices. Hence, the current base metal market is already reflecting considerable growth goodwill that is in need of a demand confirmation by China, the US or Europe.
Supply	Copper output continues to undershoot market expectations and should be watched closely, as investment activity in mines increased sharply. For zinc, prospects for mine closures have been delayed and should keep the market oversupplied.
Economic data/forward curve	Chinese economic data – trade data, CPI, IP and loan growth by financial institutions. **Key date: 10-15 Oct**

Recommendations

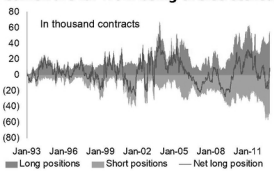
Tactical (6 months)

- We reiterate that the strong uptick in base metal prices is skating on thin ice, in our view. Real activity has yet to follow and support prices over a longer time period. 50% of the upside potential on a 6-month horizon is likely to be behind us, making only copper and nickel attractive, with +10% expected return.

Strategic (2 years)

- Although the strongest performance should be visible in zinc and lead, with existing mine capacity expected to peak in 2014/15, the recent price strength makes such an investment unattractive now, based on timing. Given a structurally solid supply side, investors should avoid aluminum and nickel. A firmer supply side should also limit the upside in copper.

Net speculative copper position at Comex are far from being overstretched



Source: Bloomberg, UBS, as of Oct. 2012
Note: Past performance is not an indication of future returns.

Agriculture

Preference: neutral

Current (24 Oct) (last month)**: Soybeans, USD 15.17/bu** (16.12)**; Corn, USD 7.54/bu** (7.44)**; Wheat, USD 8.84/bu** (8.87)

UBS View **6-month target: Soybeans: USD 17.0/bu; Corn: USD 9.0/bu; Wheat: USD 9.5/bu**

• Major US supply surprises on the **grains** side are rather unlikely in the near term as harvesting is in full swing. However, we think that demand is unlikely to drop as quickly as the USDA expects. According to the latest USDA grain stocks and WASDE reports, feed demand remained surprisingly resilient in 3Q12. To effectively ration demand, especially on the feed side, in an environment of critically low US corn and soybean stocks, higher prices are still required. For wheat, global production estimates were further lowered due to production losses in Australia, EU, Russia for 2012/13, which likely keeps prices supported in the near term. We expect corn and soybean prices to appreciate by 15% in the coming months.

• On the other side, the **softs** are likely to remain well supplied, which should keep prices under pressure. Improved export activity of coffee and strong stock selling from Vietnam in 4Q12 should weigh on coffee prices in the short-term. For sugar, higher production from Brazil and other producers should continue to burden prices in the near term, but also offer buying opportunities on a 12-month perspective.

• Aggregating the above points, the risk/reward for being long across the entire sector is not a given. We therefore reiterate our neutral sector stance.

↗ Positive scenario **Corn 6-month USD 10/bu; Soybeans 6-month USD 19/bu**

• With a reduced probability of El Niño, the yield potential for South American crops is likely to be lower. Any deterioration in South American supply prospects would require additional demand to be rationed.

↘ Negative scenario **Corn 6-month USD 6/bu Soybeans 6-month USD 12.5/bu**

• A change of the US ethanol-gasoline blending mandate would be a game changer. Increases in planted acreage combined with a steep decline in US demand for exports and feed would weigh on prices.

What we're watching	Why it matters
USDA WASDE report (monthly)	Revisions in acreage and yield estimates for the US crops remain a topic. Demand estimates are important, too, as they are key drivers behind inventory levels at the end of the year. **Key date: 9 Nov**
US grains stock report (quarterly)	The latest stocks data is not correctly reflecting the demand for Jun-Aug'12 as it contains both old and new crop stock figures. We expect stocks as of 1 Dec to reflect the true demand picture. **Key date: Jan 2013**
USDA crop progress (weekly, Monday)	Faster US grain harvests than usual have been exerting downward pressure on prices in the short run, which have reversal potential at a later stage.
COT (weekly, Friday)	Investors' net long positions in grain futures are still at high levels, but stable

Recommendations

Tactical

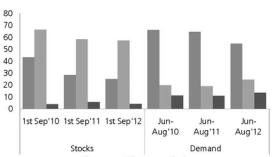
• Despite the recent setback in corn prices, risk-seeking investors should still hold on to long positions in corn. Demand rationing is still required to limit the drag on inventories. The expected return target for a long position in corn stands at 15%.

Strategic

• Our expected return outlook for grains stands at around –10% over the next 12 months. With grain prices not far below historical highs, the supply side is highly likely to expand meaningfully in 2013/14 and pressurize prices at a later stage. On the soft side, 3Q12 does not offer the right timing to build up positions.

US grains stocks continue to drop, demand remains resilient

Values in mn tons



Source: USDA, UBS, as of Oct. 2012

Note: Past performance is not an indication of future returns.

Listed real estate

Preference: neutral

UBS Global Index DTR (24 Oct): 1,490 (last month: 1,500)

UBS View **UBS Global Index DTR (6-month target): 1,600**

- Since July global listed real estate has again performed well. Despite the good performance the asset class remains slightly attractive based the high dividend yield and implied property yield compared to bonds. Asia has been the strongest performer and Europe has outperformed the US year-to-date as tail risk was reduced by the ECB launching the OMT. QE3 is not an imminent performance driver but provides a support for capital values going forward and helps to keep interest levels low.
- Due to the current search for yields, listed real estate companies are able to refinance their investments at lower yields with longer maturities. The implied property yields to bonds and earnings yields over five-year swap rates are even more attractive due to low interest rates offering good opportunities within the global real estate space.
- Low to decent supply of commercial surfaces helps to push vacancy rates down which in turn increases the rent. We further see capital appreciation as possible in the light of overall stable fundamentals.
- Asia remain the positive performance generators in our view as this is the more cyclical market, whereas Australia is supported by high dividend yields. Overall Europe remains comparatively weak, while the UK and the US have already priced in some market improvements.

↗ Positive scenario **UBS Global Index DTR (6-month target): 1,650**

- Improving fundamentals maintain listed real estate in fairly valued territory, despite stronger performance as occupancy rates grow faster than expected and rental income accelerate. Ongoing reflationary monetary policies across the world help to maintain favorable spreads between rental yields and bonds, maintaining real estate as a comparatively attractive asset class. Refinancing costs remain low.

↘ Negative scenario **UBS Global Index DTR (6-month target): 1,300**

- US, European and Chinese growth rates disappoint investor expectations and cause the comparatively high valuation levels in the US to partially correct. Furthermore, a more severe recession in Europe triggers a tightening of credit standards and cuts real estate companies from the capital market, making listed real estate more dependent than ever on bank financing. Real estate underperforms global equities.

Note: Scenarios refer to global economic scenarios (see slide 7)

What we're watching	Why it matters
Corporate bond yields	This is one of the best indicators for listed real estate as a low yield helps reduce financing costs. A steep yield curve is furthermore a signal that the overall economic environment is improving. Both are currently supportive.
Rental yield and capital appreciation	The rental yield is usually inflation linked, as the upcoming supply is currently low this pushes up the occupancy rates and thus increasing the rents. Capital appreciation is expected to be stable to positive. Overall are both supportive.
Credit markets and financing costs	Lending conditions are still challenging for developers and private investors. Public companies by contrast have very good access to credit and capital.

Recommendations

Tactical (6 months)

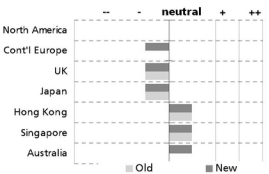
- We continue to be neutral global listed real estate recommending to have exposure to the Hong Kong, Singapore and Australia markets. The asset class is overall slightly attractive on relative valuation and the current low interest rate is supportive, but the uncertain environment warrants a neutral stance.

Strategic (1 to 2 years)

- Real estate is supported by several factors in the long term. We anticipate a gradual increase in payout ratios coupled with portfolio optimizations and ongoing cost-cutting. A weak economy limits strong rental growth, but low supply supports high occupancy rates keeping rents up.

Preference (6 months)

Our market preferences for listed real estate*



* This is our relative preference within the global real estate sector based on UBS Global Real Estate Index domestic total return, which is not the overall sector view

Source: UBS, as of 16 October 2012

Note: Past performance is not an indication of future returns.

Hedge funds

UBS View **Prefer Relative-value and Event-driven**

• We expect hedge funds (HF) to offer positive asymmetric return characteristics due to active risk management and stop-loss strategies. On the active risk side of the equation, we have seen lower gross exposure and net-market exposure within the overall hedge funds group, with traders being cautiously positioned. With systemic risk at bay, we favor relative-value (RV) and event-driven (ED) strategies.

• The inherent hedging in relative value is appealing. Credit relative-value managers should perform well in this environment of higher fixed-income volatility and increasing pricing anomalies created by central bank interventions and limited competition.

• While ED managers share some of the performance drivers, idiosyncratic bets reduce the correlation to markets. The real reason to own this strategy, however, is the potential for outsized returns in distressed, high-yield, and other credit investments as the Eurozone crisis plays out.

↗ Positive scenario **Prefer Equity long-short**

• Reduced uncertainty (e.g. resolution in Europe) lowers equities' correlation and volatility. This helps bottom-up fundamental analysis and equity long/short managers the most. Also, CEOs will likely make more corporate transactions that can be monetized by event-driven managers, and a clearer macroeconomic environment with more persistent trends would support CTA managers.

↘ Negative scenario **Prefer Trading (Global Macro + CTA)**

• So far this year, the market has remained plagued by short-term reversals, due to central banks' intervention and stimulus effects, an obstacle for trend-following managers. Still, if the European deleveraging (or fiscal cliff, China hard landing) is unmanaged, this could threaten risky assets. Trading can do well if such a scenario unfolds.

Note: Scenarios refer to global economic scenarios (see slide 7).

What we're watching	Why it matters
Global equity direction/ economic cycle	The outlook for global equities is an important HF performance driver. The economic cycle impacts the strategies differently.
Correlation	Correlation is an important performance/alpha driver for equity long/short, the largest HF strategy by assets under management.
Leverage	Gross and net leverage are key to monitoring risk.
Volatility	The direction influences certain HF strategies (e.g. convertible arbitrage).
Liquidity	Important in particular for large, less nimble HFs, it enables them to enter and exit their strategies.
Regulation	Volcker rule, USCITS III/IV

Recommendations

Strategic (1 to 2 years)

- **Recommendation**: Active risk management is instrumental for capital preservation during adverse market conditions. At the moment, we therefore favor relative-value and event-driven strategies, since they are less correlated to equity markets and other risky assets than trading.
- **Value proposition**: Hedge funds should achieve robust performance over an extended horizon, while displaying limited volatility vis-à-vis equities and other risky assets. Hedge funds try to minimize downside losses in adverse market conditions (e.g. active risk management), which plays a crucial role in wealth appreciation. Similarly, hedge fund managers attempt to capture most of the upside of risky assets owning to valid value preposition.

Performance, year-to-date

Source: HFRI, UBS, as of 31 Sep 2012

Note: Past performance is not an indication of future returns.

Private equity

Prefer small-/mid-cap buyouts in US/emerging markets; distressed debt in Europe

UBS View

• Global M&A volume has continued its downward trend since Q4 2010, falling by -20% quarter-by-quarter in Q3 2012, with a drastic decline in Europe of -46%, the third lowest quarter since 2001. However, private equity withstood the negative M&A environment as global activity grew by +13% in Q3, and the US posted its strongest quarter since Q3 2007. The importance of private equity in emerging markets continues to grow, now accounting for 13% of global activity, strongly driven by Asia, but increasingly also by Africa.
• We prefer buyout strategies in North America, given reasonable valuations, liquid debt markets and our house view of economic outperformance vs. Europe. Emerging markets offer compelling opportunities for PE investors, especially outside the main hubs (China, Brazil), which have become expensive. Distressed strategies which focus on acquiring complex/illiquid loan positions from banks in Europe are also attractive.

↗ Positive scenario

Prefer small-/mid-cap buyout and secondaries

• An abating Eurozone debt crisis and improved business confidence would increase deal flow and exit opportunities for private equity managers, but would also increase entry prices. In such a positive scenario, we would perceive commitment strategies to secondary funds as attractive for building exposure to an invested private equity portfolio.

↘ Negative scenario

Prefer distressed debt

• A renewed escalation of the debt crisis would significantly impact deal activity, the availability of debt and company owners' willingness to sell. At the same time, it would offer even more attractive opportunities within distressed strategies and lower entry prices for long-term private equity investors.

Note: Scenarios refer to global economic scenarios (see slide 7)

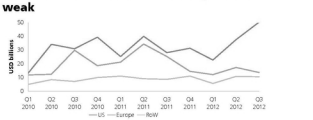
What we're watching	Why it matters
Credit markets	In H1 2012, leveraged loan issuance, an important ingredient of PE activity, dropped 17% y/y in the US, but over 41% in Europe. The US debt market is much deeper than Europe, raising over EUR 153bn of leveraged debt, while Europe achieved only EUR 16bn in 1H 12 at less attractive conditions.
Exit activity	Exit activity is an important indicator for the health of the PE market and a key return driver for investors. Despite the difficult macro environment, distributions from portfolio sales (USD 69bn) have held up, and grew 20% yoy.
Sector activity	Transactions in consumer discretionary and in energy & utilities remain the most preferred sectors for private equity investors in 2012.

Recommendations

Strategic (1 to 2 years)

- In Europe, the ongoing deleveraging has led to attractive opportunities for special situations. We thus recommend pursuing less liquid investment strategies with a preference for debt to benefit from the macroeconomic adjustment process and selling pressure for many European banks.
- We prefer small-/mid-cap buyouts in North America given the better economic outlook vs. Europe, higher transaction certainty and more attractive entry prices.
- Investors looking for downside protection during economic uncertainty can consider large-cap buyouts in the US, which offer exposure to large, diversified companies at more attractive prices and are supported by liquid debt markets.
- We advise investors make an ongoing allocation to private equity in emerging markets, which offer an attractive way to capture superior long-term growth and gain access to small-/mid-cap companies unavailable on the stock market.

The US has seen its strongest quarter since Q3 2007, while sentiment in Europe remains weak



Source: S&P, UBS CIO, as of October 2012
Note: Past performance is not an indication of future returns.

UBS

For further information please contact CIO's asset class specialist Stefan Brägger, stefan.braegger@ubs.com
Please see important disclaimer and disclosures at the end of the document.

Note: We emphasize the equal importance of fund manager selection and the commitment strategy. Please note that private equity is an illiquid asset class and must be held at least until the end of the fund (10+ years).
Please note that UBS might not have a product available which reflects our UBS CIO private equity recommendations. Private equity is only suitable for qualified investors (> USD 5m investable assets).

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From: Darren Indyke[redacted]
Sent: 1/14/2015 11:56:48 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Bill Clinton identified in lawsuit against pedophile Jeffrey Epstein | Daily Mail Online
Attachments: WebPage.pdf; Untitled attachment 272048.htm

Importance: High

Privileged - Redacted

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http://www.dailymail.co.uk/news/article-2584309/Bill-Clinton-identified-lawsuit-against-former-friend-pedophile-Jeffrey-Epstein-regular-orgies-Caribbean-compound-former-president-visited-multiple-times.html

Bill Clinton identified in lawsuit against his former friend and pedophile Jeffrey Epstein who had 'regular' orgies at his Caribbean compound that the former president visited multiple times

- **The former president was friends with Jeffrey Epstein, a financier who was arrested in 2008 for soliciting underage prostitutes**
- **A new lawsuit has revealed how Clinton took multiple trips to Epstein's private island where he 'kept young women as sex slaves'**
- **Clinton was also apparently friends with a woman who collected naked pictures of underage girls for Epstein to choose from**
- **He hasn't cut ties with that woman, however, and invited her to Chelsea's wedding**
- **Comes as friends now fear that if Hillary Clinton runs for president in 2016, all of their family's old scandals will be brought to the forefront**
- **Epstein has a host of famous friends including Prince Andrew who stayed at his New York mansion AFTER his arrest**

By Daily Mail Reporter

Published: 09:06 EST, 19 March 2014 | **Updated:** 21:10 EST, 5 January 2015

A new lawsuit has revealed the extent of former President Clinton's friendship with a fundraiser who was later jailed for having sex with an underage prostitute.

Bill Clinton's relationship with Jeffrey Epstein, who served time in 2008 for his illegal sexual partners, included up multiple trips to the onetime billionaire's private island in the Caribbean where underage girls were allegedly kept as sex slaves.

The National Enquirer has released new details about the two men's friendship, which seems to have ended abruptly around the time of Epstein's arrest.

Naming names: A lawsuit between Jeffrey Epstein (right, in 2011) and his legal team has included multiple mentions about the convicted pedophile's connection to former President Bill Clinton (left, earlier this month)

Pedophile paradise: The lawsuit included flight records that showed Clinton made multiple trips to Epstein's private island, Little St James (pictured), between 2002 and 2005. Women were reportedly kept there as sex slaves

Tales of orgies and young girls being shipped to the island, called Little St. James, have been revealed as part of an ongoing lawsuit between Epstein and his former lawyers Scott Rothstein and Bradley Edwards.

It is unclear what the basis of the suit is, but they go on to call witness testimony from some of the frequent guests at Epstein's island to talk about the wild parties that were held there in the early 2000s.

Convicted: Epstein was investigated in 2005 after a woman reported that he paid her 14-year-old daughter for sex

Flight logs pinpoint Clinton's trips on Epstein's jet between the years 2002 and 2005, while he was working on his philanthropic post-presidential career and while his wife Hillary was a Senator for their adopted state of New York.

'I remember asking Jeffrey what's Bill Clinton doing here kind fo thing, and he laughed it off and said well he owes me a favor,' one unidentified woman said in the lawsuit, which was filed in Palm Beach Circuit Court.

The woman went on to say how orgies were a regular occurrence and she recalled two young girls from New York who were always seen around the five-house compound but their personal backstories were never revealed.

At least one woman on the compound was there unwillingly, as the suit identifies a woman as Jane Doe 102.

She 'was forced to live as one of Epstein's underage sex slaves for years and was forced to have sex with... politicians, businessmen, royalty, academicians, etc,' the lawsuit says according to The Enquirer.

Epstein's sexual exploits have been documented since 2005, when a woman in Palm Beach contacted police saying that her 14-year-old daughter had been paid $300 to massage him and then have sex.

The claim prompted a nearly year-long investigation that led to the eventual charge of soliciting prostitution which came as part of a plea deal. He spent 13 months of a 18-month sentence in jail and remains a registered sex offender.

Several of his famous friends cut ties- including Clinton and then-New York Governor Eliot Spitzer who returned his campaign donations- but not all of them: Prince Andrew reportedly stayed at Epstein's mansion in New York in 2010, months after he was released from jail.

Chelsea Clinton leaves hospital with new baby Charlotte

Keeping ties: Clinton was also friends with an unnamed woman who stored pictures of underage girls for Epstein, and though Clinton cut ties with Epstein after his arrest, he

invited the woman to Chelsea's 2010 wedding

Clinton's connection to Epstein, who worked as a financier and education philanthropist before more than 40 women came forward with claims about him being a sexual predator, has been long-established, but The Enquirer also tells how the former president was also friends with some of Epstein's seedy acquaintances.

The lawsuit claims that Clinton was friends with an unnamed woman who 'kept images of naked underage children on her computer, helped to recruit underage children for Epstein... and photographed underage females in sexually explicit poses'.

While he cut off ties with Epstein, this woman's abuses apparently did not end their relationship as she was reportedly one of the 400 guests at Chelsea Clinton's 2010 wedding.

Latest ladies: Clinton was pictured posing for a photo with Barbie Girl (left) and Ava Adora (right), two known prostitutes who work at the Bunny Brothel in Nevada

Though the lawsuit may be bringing up sexual skeleton's from Clinton's past, he has added to the drama of late by posing for a photo with two known prostitutes at a fundraiser in Los Angeles last month.

The drama of his extramarital affairs is apparently just one concern for Clinton family loyalists, as a **Wall Street Journal** article released today details how

'I'm not in the political camp; I'm in the friends camp. And the friends camp definitely has concerns about her running,' the former Secretary of State's friend Linda Bloodworth-Thomason told the paper,

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From: Thomas Jr., Landon [redacted]]
Sent: 11/14/2016 5:32:04 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Fwd: Game On paper from Dr. Laffer
Attachments: 2016.05.19 Game On - updated 2016.07.06.pdf

Importance: High

These old school supply siders supposedly have DT's ear. Your old pal Larry Kudlow/Laffer/Steve Moore. I think they basically wrote his tax plan. Steve Forbes for Treasury Secretary??:):)
---------- Forwarded message ----------
From: **Nicholas Drinkwater** <[redacted]>
Date: Mon, Nov 14, 2016 at 11:38 AM
Subject: Game On paper from Dr. Laffer
To: '[redacted]

Dear Landon,

Please see the attached paper from Dr. Laffer.

Best,
Nick

Nicholas C. Drinkwater
Chief of Staff
Laffer Associates
103 Murphy Court
Nashville, TN 37203
Phone:[redacted]
Fax[redacted]

--
Landon Thomas, Jr.
Financial Reporter
New York Times
[redacted]
http://topics.nytimes.com/top/reference/timestopics/people/t/landon_jr_thomas/index.html

LAFFER ASSOCIATES
Supply-Side Investment Research
May 19, 2016

10-yr T-Note: 1.86% DJIA: 17,526.62 NASDAQ: 4,739.12 S&P 500: 2,047.63 S&P 500 Undervalued: 151.8%

GAME ON [Updated 7/6/2016]

By Arthur B. Laffer, Ph.D.

Summary
To save you the agony of plodding through this fascinating, information-rich paper, I'll get straight to the point: Donald Trump will be the next President of the United States after having won an easy victory over Hillary Clinton in November 2016. The reasons:

I.) Section one shows that the essential characteristics of the narrative for the Trump campaign and the Reagan campaign of 1980 are surprisingly similar, which would point to a Trump landslide.

II.) Section two describes the poor state of the current economy using detrended GDP per adult, the ratio of employment-to-adult-population and new home sales per 1,000 adults and how these measures strongly indicate a Republican victory.

III.) Using historical data for the Gallup poll question "are you satisfied" and presidential election dates, this section would point to an overwhelming Republican win in November 2016.

IV.) Relying on voter turnout data this year versus earlier years and party selection, the Republicans have a large advantage coming into the Fall election.

V.) Basing our forecast on the past eight years of Congressional elections—House and Senate—as well as state elections of house, senate and governors, the Republicans should be exceedingly confident about the upcoming presidential election.

VI.) Taking careful measure of what both Hillary Clinton and Donald Trump have done in the public eye, Trump has the issues on his side.

I. 1979-1980 How the Reagan Revolution Began

In early 1979, a group of Ronald Reagan acolytes—some 10 to 15 in total—got together in Justin Dart's office at Rexall (the corner of La Cienega and Beverly) and there they formed the original Reagan Executive Advisory Committee. With very few exceptions (initially only me), this group had been called Reagan's Kitchen Cabinet. Those present and those also invited included Justin Dart, Holmes Tuttle, Jack Wrather, Bill French Smith, Bill Wilson, Earle Jorgensen, Ben Biaggini, Ted Cummings, Alfred Bloomingdale, Charles Wick, Henry Salvatori et moi. I was the youngest of the group by three decades. And, in fact, the only way Justin Dart could convince the others to let me be a member was that they needed someone to keep the minutes of the meetings, i.e. as a secretary. In speaking with a reporter about the Kitchen Cabinet, here's what Jus Dart had to say: "In addressing the question of how many of Reagan's friends actually qualify as members, Dart said: 'Damn fewer than is generally advertised.'"[1] That just says it all.

The purpose of this committee was to provide guidance and support to the emerging presidential candidacy of one Ronald Reagan. The members were to a person close, close, close friends and supporters of Ronald Reagan or husbands of Nancy Reagan's best friends. And the race for the White House began.

During this pre-primary and primary process, Ronald Reagan was disrespected and abused by a significant segment of the Republican establishment.[2] He was called an empty suit, a trigger-happy California cowboy, only an actor, a person who spoke words others wrote, a racist, a bigot, a divorcée, a war monger and the man who would start the Third World War. My favorite slur came from none other than the Democratic Party's "éminence grise" Clark Clifford,[3] who referred to Ronald Reagan as an "amiable dunce." The torrent of anti-Reagan epithets never stopped.

---

[1] "Industrialist Justin Dart has declared President Reagan's 'kitchen cabinet'," *United Press International*, March 26, 1981. http://www.upi.com/Archives/1981/03/26/Industrialist-Justin-Dart-has-declared-President-Reagans-kitchen-cabinet/4240354430800/

[2] There is a display at the Young Americans Foundation in Santa Barbara of a number of these anti-Reagan videos by any number of Republican and Democratic stalwarts.

[3] As if receiving divine retribution for his nasty ways, Clark Clifford, who served as Secretary of Defense for President Johnson and as an advisor to Presidents Truman, Kennedy and Carter, was indicted in the early 1990s on charges of conspiracy, fraud and bribery surrounding the Bank of Credit and Commerce International scandal.
For more, see: http://www.nytimes.com/1998/10/11/us/clark-clifford-a-major-adviser-to-four-presidents-is-dead-at-91.html?pagewanted=all

In fact, the whole group of us received virtually no support from the Republican Party or the Party's elders. It wasn't until Reagan had finally defeated George Bush, along with John Connally, Howard Baker, Phil Crane, Bob Dole and John Anderson in the primary race, that there was any attempt to be conciliatory to Ronald Reagan's presidential campaign by the Republican powers that were. Even Barry Goldwater, whose career owed so much to Ronald Reagan, was cool at best to a Reagan presidency.

I remember one post-Bush-defeat meeting of our committee when we had already secured the nomination and George Herbert Walker Bush sat next to me and lightly apologized for referring to me as the "Voo-Doo Economist." In truth, I had sort of enjoyed the handle, and told H.W. Bush that I was delighted he finally had come to join us because I needed some fellow Yalies to up the quality of our group. He laughed.

Things had been so vitriolic and bad during the primary campaign that a number of Republicans couldn't in clear conscience support Ronald Reagan at all and others could only support him in name only. And one of the primary contestants, John Anderson, Republican Congressman from Illinois, was so offended by Ronald Reagan's nomination that he decided to run as an independent in the general election, which he did. While, in hindsight, John Anderson's decision may now seem like a non-event, it sure wasn't seen as a frivolous gesture back then. Ronald Reagan looked like a sure loser with both a moderate Republican opponent and a sitting Democratic President, with all the privilege, prestige and power that the Office of the President holds.

At the convention in Detroit City, I testified before the platform committee on what I thought Reaganomics would be—which was lots of fun. But, the real drama occurred when it came time to select Ronald Reagan's running mate. Showing no signs of remorse or respect for the primary voters, the Party's establishment conspired to browbeat Ronald Reagan into accepting Gerald Ford as Ronald Reagan's co-president running mate. They—the establishment—were absolutely certain that Ronald Reagan would be blown away by Carter in November of 1980 and that the down ticket Republican candidates would get their lunch handed to them. So much for the wisdom of Republican elders and insiders.

In other words, just like today in re Donald Trump, the party's cognoscenti were forecasting a huge Reagan defeat that would carry with it large numbers of House members and Senators. Reagan, they thought, would prove to be more devastating to Republicans than either the Goldwater defeat of 1964 or the Ford defeat of 1976.

As you all know, none of this happened. We handily defeated Carter, even though we were behind in the polls as recently as 1 week before the election.[4] Reagan took 44 states and 50.7% of the popular vote to Carter's 41% of the vote and Anderson's 6.6% of the vote. Whodathunkit? I'm naturally an optimist, but I've never been more optimistic than I am today or than I was in 1980, and I've never had more fun than I had in the several years before Ronald Reagan's election. The Reagan saga of 1980 seems a lot like the Trump story today.

II. "It's the Economy Stupid" – James Carville 1992

In the 2016 primaries, each and every Republican candidate promised lower tax rates, restrained government spending, sound money and greatly lessened regulations. The mantra was repeal "Obamacare," eviscerate Dodd-Frank and cut taxes. There couldn't have been a more supply-side, pro-growth field of candidates assembled in the entire history of our nation—not one outlier. It almost became a Republican feeding frenzy as to who could propose the lowest tax rate and create the most growth. Debates on economic issues were super boring and hyperbole as to who could be the most pro-growth supply sider infused the air we breathe. In truth, every Republican, from Jim Gilmore to Donald Trump, understood that America was in free fall and needed a huge dose of incentive alignments. There was very little room for debate on the issues because the candidates all agreed with each other.

The Democrats, once O'Malley, Webb and Chafee exited stage left, were pulling each other further and further to the "Free Lunch Tax the Rich" ticket. Already way over-subsidized, students were promised free college by Sanders, and America would have a $15 federal minimum wage everywhere. And then there was expanded free health care, huge tax increases on Wall Street exploiters and on the rich in general. The Walton family was singled out as the perfect example of what's wrong with America: one family whose net worth was close to $150 billion and whose legacy company, Walmart, paid workers' wages so low that full-time employees qualified for welfare. The Democrats defined their enemies as the most successful innovators, investors, job-creators and employers in America.

The Democrats also, in their never-ending debates, careened further and further toward "from each according to his ability and to each according to his need" paradise. The most enthusiastic crowds were energized by the endearing, wild-eyed, septuagenarian Socialist whose unkempt, long white hair became emblematic of "enough is enough already": Uncle Bernie Sanders. Who doesn't love Bernie Sanders? Or, as his throngs of acolytes scream, who doesn't "feel the Bern?"

[4] Reagan's surge in polls is generally attributed to the presidential debate held one week before the election took place, on October 28th, immediately after which Reagan appears to have moved into a 3 point lead. See: Lydia Saad, "Late Upsets Are Rare, but Have Happened," Gallup, October 27, 2008. http://www.gallup.com/poll/111451/late-upsets-rare-happened.aspx

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Hillary's and Bernie's kabuki dance is far from over. The continued Sanders' humiliation and exposé of Clinton is profoundly damaging to the Democrats' prospects, while the Republicans have just chosen their candidate. Someone ought to tell that to Bill Kristol.

What is patently obvious from the rise of Bernie Sanders and the massive, hard fought battle in the Republican primary is that economic discontent is at an all-time high. The electorate wants economic change NOW.

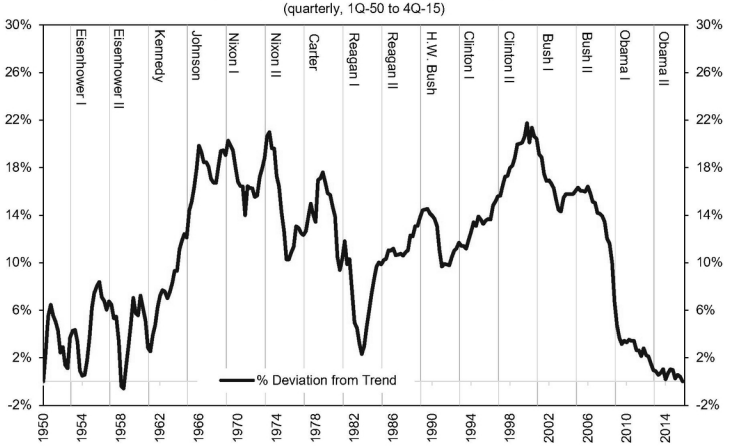
But, then there's Hillary Clinton's take on the economy and the Obama record. Like Pat Buchanan's protectionist niche some 20 years ago, there is a segment of America that truly likes the Obama record. But, that segment is not even close to being large enough to elect a winner.

Hillary Clinton's political and academic credentials are second to none—Wellesley undergraduate, Yale Law School, Watergate trial activist, Rose Law firm lawyer, First Lady, Senator from New York, and President Obama's Secretary of State. She has been indefatigably toiling her way through the political superstructure to be the next President of the United States: the incarnation of an Obama third term and protector of the Obama legacy. This tack that she has taken is helpful in the Democratic primary, especially among African Americans, but is a very large mistake in a general election and reflects poorly on her political judgement.

Judging from the three most important metrics of the economy: i.) detrended real nondefense GDP per adult from 1950 to the present, ii.) employment as a share of adult population during the post-World War II period, and iii.) new housing sales per 1,000 adults over the past 55 years, anyone who runs on the Obama record is at a great, great, great disadvantage.

Just look at each of these three measures of economic performance:

Figure 1
Real Nondefense GDP Per Adult Detrended[5]
(quarterly, 1Q-50 to 4Q-15)



Note: Real GDP per Adult Trend = 1.88% Average Annual Growth from 1Q1950 to 4Q2015

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Laffer Associates

Even when a president's term ends on a high note, as was the case with Presidents Kennedy, Reagan and Clinton, it is a challenge for the incumbent party to maintain the White House. Thus, given that detrended real nondefense GDP per adult as a measure of our country's economic performance has ended on very low notes for Obama, "W" Bush and Bush Sr., it is clear

[5] Note: the gray vertical lines in figures throughout this paper represent the election dates of these individual presidents. The reason for this (rather than placing vertical lines on inauguration dates) is that we're using economic metrics throughout this paper as indicators of votes rather than as descriptors for the success or failure of presidential policies.

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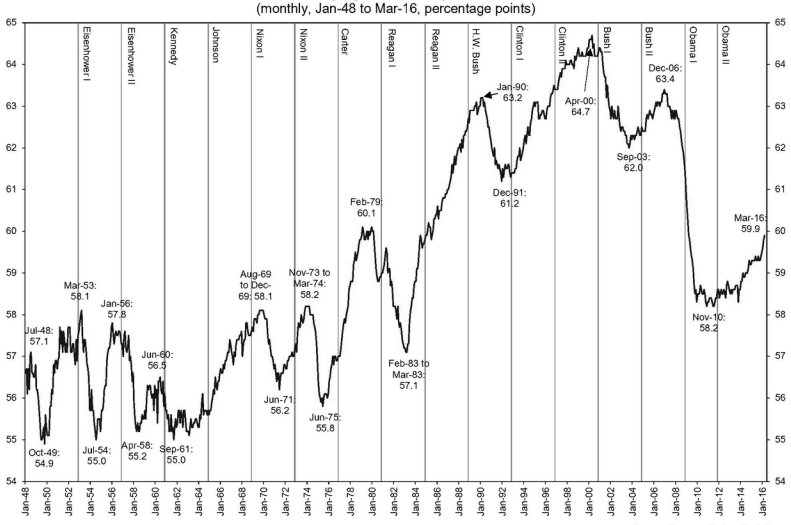
that the economy is shouting for a party change. This does not bode well for the Democratic Party, which continues to endorse the current status quo.

And to confirm GDP growth's implications, we also have the disappointing measure of employment to adult population. Again, there is every reason on Earth to change parties now. There literally has been no Obama recovery, and Hillary Clinton promises she'll do more of the same. The U.S. has about 10 million fewer jobs per year than we would have had if the ratio of employment to adult population were what it was in mid-2000.

Just compare the ascent of the employment to adult population ratio for the eight years of Obama to the Johnson years, or even to the Nixon years, and especially to the Reagan and Clinton years. This Obama economy really isn't a recovery, let alone a strong recovery, as one would expect should have happened following the devastating collapse of the Great Recession. Why would Hillary Clinton want to run on the Obama record? It's beyond me.

Figure 2
Civilian Employment-to-Population Ratio
(monthly, Jan-48 to Mar-16, percentage points)



Using detrended real GDP per adult and total employment per adult, there have been two elections since Truman was elected in 1948 that appear to contradict my economic improvement hypothesis—the Nixon election in 1968 and the Obama reelection in 2012. Both of these elections appear to have had very strong extraneous factors at work. For Nixon's success, the huge outrage against Johnson's handling of the Vietnam War could well have overpowered the seemingly good economy and for Obama in 2012 a high racial sensitivity quotient could also have tipped the scales. If anything, today the war and racial sensitivity issues operate against the Democrats.

What I beg you to look at carefully are the virtually identical precipitous drops in the economy immediately preceding the Presidencies of Ronald Reagan and Barack Obama and the totally opposite results during their respective Presidencies. I just can't see how a pro-Obama candidate can win in 2016.

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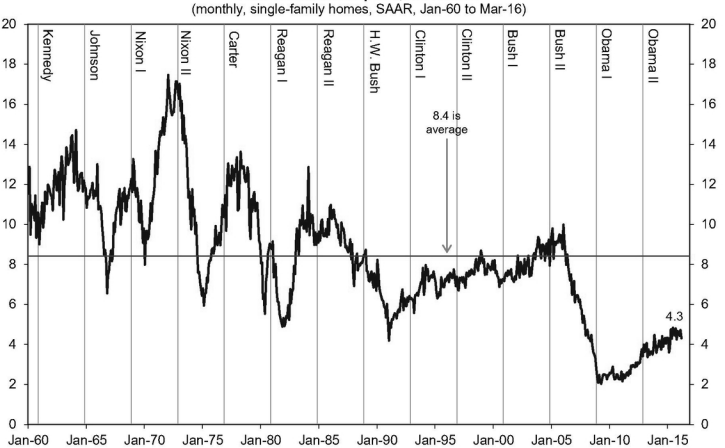
And, of course, without a housing recovery, there can't be prosperity, and, as shown in Figure 3 below, there is very little prospect for a housing recovery anytime soon.

Figure 3
New Home Sales per 1,000 Adults
(monthly, single-family homes, SAAR, Jan-60 to Mar-16)



Source: U.S. Census Bureau, Bureau of Labor Statistics

Far from being a change agent, once Obama took office, he doubled down on the Bush economic agenda, kept Bush's key economic advisors and thereby created further down-drafts for the economy.

The simple fact that absolutely leaps off these charts is the abysmal record attained by the 7+ years of the Obama Administration. To be fair, the decline began when "W" took office and accelerated greatly when Bush, aided by Geithner and Bernanke, bailed everyone out and spent huge sums of U.S. resources trying to stimulate the economy—all to no avail. To me, the circumstances today are almost identical to those of 1980—16 years of bad economics about to be followed by a political renaissance.

For Hillary Clinton, the Obama record on the economy will be her biggest negative come November. And the very fact that she actually sought out and embraces this legacy speaks volumes about her judgement.

III. All Elections are Referenda on Incumbents

The Mood of the Country – The History of the Gallup Poll

Whether fair or not, Hillary Clinton is viewed as a Democratic insider and establishment regular. As such, she benefits greatly in her ability to raise money and attract superdelegate support. But, there's also a downside to being a Democratic insider and establishment regular today. When the electorate is unhappy with the direction the country is heading, she'll also be blamed right along with the President and other members of his party. This is exactly what happened to the Presidencies of Johnson, Nixon, Ford, Carter, Bush Sr., Bush "W" and presumptively Obama.

If any one of you remembers the contested Democratic primary of 1980 when Senator Ted Kennedy challenged his party's sitting President, you will be reminded of the current Democratic primary where Bernie Sanders continues to humiliate Hillary Clinton, primary after primary. While Senator Kennedy lost in his quest to secure the Democratic nomination, he clearly exposed all the weaknesses of President Carter, just as Senator Bernie Sanders is exposing Hilary Clinton's vulnerability. This can't be good news for Mrs. Clinton.

For quite some time now, I have been using the Gallup poll question, "Are you satisfied with the way things are going?" as my measure of the electorate's level of discontent. This question has been posed by Gallup for years and years and, thus, the

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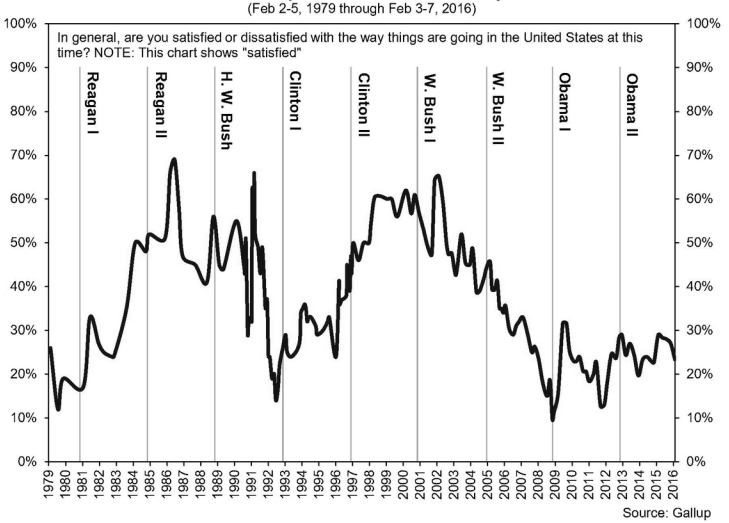
electorate's response to this question reflects a consistent indicator over a long period of time: in fact, long enough for us to get a sense of whether this measure is a reliable guide to help forecast election results (see Figure 4). It is:

In my paper "Senate Outlook" of October 2, 2014, I relied heavily on this Gallup question to arrive at my outlandish forecast of a seven seat gain for the Republicans in that year's Senate races. My forecast of a seven seat pickup was probably the most optimistic forecast at the time for the Republicans. But, as it turned out, I was off by two! The Republicans actually picked up nine seats—West Virginia, Montana, South Dakota, Arkansas, Alaska, Louisiana, Iowa, North Carolina and Colorado—and lost none.

Figure 4
The Gallup "Are You Satisfied?" Survey
(Feb 2-5, 1979 through Feb 3-7, 2016)



Source: Gallup

The predictive power of this Gallup poll's "are you better off?" question since the election of 1980 is pretty impressive. Both of Reagan elections were right in sync with Gallup's poll survey at November of 1980 and November of 1984. Likewise, Bush Senior's election in November of 1988 was seen as Reagan's third term and was foreseen by the Gallup poll question.

And then both Clinton elections were right in line with the survey results from the Gallup poll questions in November of 1992 and November of 1996.

Bush the younger's election in 2000 is anomalous, but his reelection in 2004 is consistent with the measure as was McCain's (really it was Bush's) defeat in November 2008. The 2012 election also appears contrary to the survey response to the poll question. If this poll reestablishes its predictive power in 2016, Trump wins in a Reagan-like landslide.

IV. Primary Colors

While perhaps subtle, what happens in contested presidential primaries is also a harbinger of general elections. And if the current Democratic and Republican primaries are accurate measures of voter enthusiasm, the Democrats are facing a tough up-hill fight against Republicans to say the least.

Using only states with party primaries, i.e. not state caucuses, and only party primaries up to the time when Donald Trump became the presumptive Republican presidential nominee, which was following the May 3rd Indiana primary, there has been a large increase in voter turnout for the Republicans in 2016 when compared to either 2008 or 2012. In fact, in the 28 state primaries through May 3rd, the total number of Republicans who actually voted in those primaries has increased by 57.2% over 2008 and 67.1% over 2012 (see Table 1 on page 8). And, using unweighted state numbers, the 2016 Republican primary

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voter turnout is up 66.6% over 2008 and 103.0% over 2012. I use both total turnout as well as equal weighted state turnout because our Electoral College system for selecting a president is a combination of both. These numbers are astounding and by themselves speak volumes for Republican prospects in 2016. And it is not just the Trump phenomenon; it's the Trump phenomenon plus much more.

But, the situation is worse for Democrats. When juxtaposed to the Democratic turnout in 2008 and 2016, the 2016 Republican turnout looks even stronger. Remember, the 2012 Democratic primary was a non-event because President Obama, then a sitting President, was running for nomination essentially uncontested. We therefore focus exclusively on the change from the 2008 to the 2016 Democratic Party turnout, which, using the same states, is down in total by 20.1%. And, using equal-weighted state numbers, it's down by 16.2%. On a state-by-state comparison, Republican turnout is way up, and Democratic turnout is way down. Someone should ring the Democratic alarm bell.

And, even head-to-head comparisons of absolute voter turnout between the Democratic and Republican primaries in 2016 and 2008 give the Republicans a definite edge for the elections of 2016 and an enormous increase over 2008. So far in 2016, there have been 3.5 million more Republicans voting in their party's primaries than there have been Democrats. In 2008, the Democrats had over 11.3 million additional primary voter advantage over their Republican counterparts. This enormous increase in Republican voter turnout over Democrats in 2016 plus the fact that there are more Republican voters in 2016 than Democratic voters should be perhaps the single most disturbing statistic if you are a Hillary supporter, especially given the exceptional enthusiasm for Bernie Sanders in what has turned out to be a down primary turnout for Democrats.

Even on a state-by-state basis, the flip from Democrat to Republican has been pronounced. So far in this 2016 primary season, there are 14 new states that had Republican turnout in excess of Democratic turnout, i.e. those states in 2008 had more Democratic turnout than Republican turnout, while in 2016 Republican turnout exceeds Democratic turnout. These states are not, as Bernie Sanders would say, "chopped liver." They include Arkansas, Georgia, Indiana, Mississippi, Missouri, New Hampshire, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Virginia and Wisconsin. When it comes to the electoral college, flipping a state is far more important than is increasing the margin of victory.

What should be even more alarming to the Democrats than the party flip against Democrats in the 14 states that have already had primaries is the fact that so far in every state, save Michigan, Democratic voter advantage over Republican's has declined. And Michigan, without trying to reach too far for excuses, appears to hinge on the tragedy of the Flint water contamination and Mitt Romney's candidacy in 2008 and 2012. And so as not to take everything away from the unique Michigan phenomenon, it still must be remembered that in both 2008 and 2016, Republican primary turnout in Michigan was greater than Democratic turnout.

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Table 1
Primaries Completed as of May 3rd

	Republican Primary Turn Out			% Increase 2016 from 2008	% Increase 2016 from 2012	Democrat Primary Turn Out		% Increase 2016 from 2008	Democrat Advantage 2008	Democrat Advantage 2016
	2008	2012	2016			2008	2016			
Alabama	552,209	621,916	860,652	55.0%	38.4%	536,626	396,851	-26.0%	(15,583)	(463,801)
Arizona	541,767	511,239	625,770	-2.1%	22.4%	456,626	468,461	2.6%	(85,141)	(157,309)
Arkansas	229,882	152,360	410,920	76.8%	169.7%	315,839	221,020	-30.0%	85,957	(189,900)
Connecticut	151,605	59,639	213,372	40.8%	257.8%	355,561	328,467	-7.6%	203,956	115,095
Delaware	50,237	28,592	69,892	39.1%	144.4%	96,341	93,640	-2.8%	46,104	23,748
Florida	1,949,498	1,676,176	2,361,805	20.8%	40.9%	1,749,920	1,709,183	-2.3%	(199,578)	(652,622)
Georgia	963,541	901,470	1,295,963	34.2%	43.8%	1,060,851	765,366	-27.9%	97,310	(530,597)
Illinois	899,422	933,454	1,449,748	57.8%	55.3%	2,038,614	2,056,047	0.9%	1,139,192	606,299
Indiana	412,684	635,589	1,110,543	167.2%	74.7%	1,278,355	638,779	-50.0%	865,671	(471,764)
Louisiana	161,169	186,410	301,241	86.9%	61.6%	384,346	311,776	-18.9%	223,177	10,535
Maryland	320,989	248,468	459,066	35.0%	84.8%	878,174	916,763	4.4%	557,185	457,697
Massachusetts	501,997	370,425	637,703	25.8%	72.2%	1,263,764	1,220,296	-3.4%	761,767	582,593
Michigan	869,169	996,499	1,323,589	52.4%	32.8%	594,398	1,205,552	102.8%	(274,771)	(118,037)
Mississippi	143,286	293,787	416,252	182.8%	41.7%	434,110	227,164	-47.7%	290,824	(189,088)
Missouri	588,844	252,185	939,270	58.6%	272.5%	825,050	629,425	-23.7%	236,206	(309,845)
New Hampshire	234,625	249,534	287,683	21.1%	15.3%	288,672	254,776	-11.7%	54,047	(32,907)
New York	670,078	190,515	921,771	27.9%	383.8%	1,891,143	1,970,900	4.2%	1,221,065	1,049,129
North Carolina	1,335,052	973,206	1,149,705	-14.7%	18.1%	1,580,726	1,143,293	-27.7%	245,674	(6,412)
Ohio	1,095,917	1,213,879	2,014,396	86.4%	65.9%	2,354,721	1,259,754	-46.5%	1,258,804	(754,642)
Oklahoma	335,054	286,523	459,922	37.2%	60.5%	417,207	335,843	-19.5%	82,153	(124,079)
Pennsylvania	829,129	808,115	1,594,475	88.8%	97.3%	2,354,005	1,681,427	-28.6%	1,524,876	86,952
Rhode Island	27,237	14,564	62,331	125.5%	328.0%	186,657	124,960	-33.1%	159,420	62,629
South Carolina	445,499	603,770	745,405	65.6%	23.5%	532,151	373,063	-29.9%	86,652	(372,342)
Tennessee	553,815	547,561	855,729	54.3%	56.3%	624,764	377,222	-39.6%	70,949	(478,507)
Texas	1,362,322	1,449,477	2,836,488	107.9%	95.7%	2,874,986	1,435,895	-50.1%	1,512,664	(1,400,593)
Vermont	40,120	60,850	61,756	52.1%	1.5%	155,279	135,256	-12.9%	115,159	73,500
Virginia	489,252	265,570	1,025,425	109.5%	286.1%	986,203	785,041	-20.4%	496,951	(240,384)
Wisconsin	529,932	787,847	1,105,944	107.1%	40.4%	1,113,753	1,007,600	-9.5%	583,821	(98,344)
Total Votes	**16,284,331**	**15,319,620**	**25,596,816**	**57.2%**	**67.1%**	**27,628,842**	**22,073,820**	**-20.1%**	**11,344,511**	**(3,522,996)**
EW % Change				**66.6%**	**103.0%**			**-16.2%**		

Table 2
Primaries Following May 3rd

	Republican Primary Turn Out			% Increase 2016 from 2008	% Increase 2016 from 2012	Democrat Primary Turn Out		% Increase 2016 from 2008	Democrat Advantage 2008**	Democrat Advantage 2016**
	2008	2012	2016			2008	2016			
Nebraska	136,648	185,402	197,430	44.5%	6.5%	N/A	Caucus	N/A	N/A	N/A
West Virginia	Caucus	112,416	202,880	N/A	80.5%	456,282	241,016	-47.2%	N/A	38,136
Kentucky	Caucus	Caucus	Caucus	N/A	N/A	701,768	454,573	-35.2%	N/A	N/A
Oregon	353,476	287,955	408,937	15.7%	42.0%	641,499	641,595	0.0%	288,023	232,658
Washington	529,932	Caucus	608,128	14.8%	N/A	N/A	N/A	N/A	N/A	N/A
California	2,932,812	1,924,970	2,162,810	-26.3%	12.4%	5,066,992	4,966,115	-2.0%	2,134,180	2,803,305
Montana	95,730	140,457	156,888	63.9%	11.7%	273,793	126,376	-53.8%	178,063	(30,512)
New Jersey	566,201	231,465	443,724	-21.6%	91.7%	1,141,199	877,496	-23.1%	574,998	433,772
New Mexico	110,939	92,930	104,627	-5.7%	12.6%	Caucus	216,075	N/A	N/A	111,448
South Dakota	60,964	58,292	66,879	9.7%	14.7%	97,797	53,006	-45.8%	36,833	(13,873)
Total Votes*	**4,256,770**	**2,921,471**	**3,541,295**	**-16.8%**	**21.2%**			**-12.2%**	**3,212,097**	**3,425,350**
EW % Change				**11.9%**	**34.0%**			**-29.6%**		

*Total Votes are only summed for states that held primaries in 2008, 2012 & 2016

**Democrat Advantage is summed only for states that have had both a Republican and Democrat primary in 2016

While caucus numbers are influenced by a number of factors other than voter turnout and electorate preferences, their implications are little different from those of the primary states.

Again these results have to be concerning for Presidential candidate Hillary Clinton.

Table 3
Caucuses and Mixed Caucuses/Primaries Completed as of May 3rd

	Republican Caucus Turn Out			% Increase 2016 from 2008	% Increase 2016 from 2012	Democrat Caucus Turn Out		% Increase 2016 from 2008	Democrat Advantage 2008**	Democrat Advantage 2016**
	2008	2012	2016			2008	2016			
Alaska	15,000	14,135	21,930	46.2%	55.1%	8,621	10,600	23.0%	(6,379)	(11,330)
Colorado	65,400	66,027	N/A	N/A	N/A	120,001	123,508	2.9%	54,601	N/A
Hawaii	N/A	10,228	13,377	N/A	30.8%	37,426	33,716	-9.9%	N/A	20,339
Idaho	Primary	44,672	Primary	N/A	N/A	21,224	23,884	12.5%	N/A	N/A
Iowa	118,696	121,354	186,874	57.4%	54.0%	236,000	171,109	-27.5%	117,304	(15,765)
Kansas	19,432	29,857	73,116	276.3%	144.9%	37,089	40,000	7.8%	17,657	(33,116)
Kentucky	205,226	176,160	229,667	11.9%	30.4%	N/A	N/A	N/A	N/A	N/A
Maine	5,338	5,814	18,650	249.4%	220.8%	44,670	46,000	3.0%	39,332	27,350
Minnesota	62,828	48,916	114,245	81.8%	133.6%	214,066	207,109	-3.2%	151,238	92,864
Nebraska	N/A	N/A	N/A	N/A	N/A	38,670	33,460	-13.5%	N/A	N/A
Nevada	44,315	32,894	75,216	69.7%	128.7%	117,559	84,000	-28.5%	73,244	8,784
Utah	Primary	Primary	177,204	N/A	N/A	Primary	77,344	N/A	N/A	(99,860)
Wyoming	1,200	1,308	N/A	N/A	N/A	8,753	7,000	-20.0%	7,553	N/A
Total Votes*	**470,835**	**429,130**	**719,698**	**52.9%**	**67.7%**	**884,079**	**780,386**	**-11.7%**	**454,550**	**(10,734)**
EW % Change				**113.3%**	**99.8%**			**-4.9%**		

*Total Votes are summed only for states that held caucuses in 2008, 2012 and 2016

**Democrat Advantage is only summed for states that have had both a Republican and Democrat caucus in 2016

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Table 4
Caucuses Following May 3rd

	Republican Caucus Turn Out			Democrat Caucus Turn Out	
	2008	2012	2016	2008	2016
Washington	Primary	50,764	Primary	Primary	230,000
New Mexico	N/A	N/A	N/A	153,299	214,307
North Dakota	9,785	11,349	N/A	19,102	N/A

V. Politics Bubbles Up from the Bottom and Presidential Selection is the Final Coup de Grace of a Political Revolution

The proposition of this section of this paper is that elections for the U.S. House of Representatives, the U.S. Senate, state houses, state senates and governorships are accurate indicators of Presidential races. If these federal and state elections are accurate forecasters in 2016, Hillary Clinton is toast.

a.) Politics in the U.S. Congress

In January 2009, there were 57 Democrats in the U.S. Senate, 2 Independents (Sanders VT and King ME) who always voted with and caucused with the Democrats, and 41 Republicans. Today, there are 54 Republicans, 44 Democrats plus the same 2 Independents who are effectively Democrats (see Table 5 below).

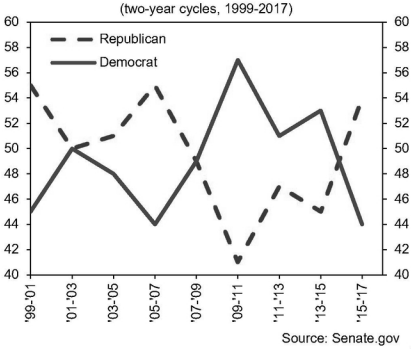
Likewise, in January 2009, there were 257 Democrats in the U.S. House and 178 Republicans. Today, the tables have turned and the Republicans have their largest majority in the House since 1928, 247, and the Democrats have 188 House members. Not only have the numbers changed dramatically, but the ideologies have also become more concentrated. The changes in the U.S. Congress over the past eight years are huge and reflect an enormous swing in U.S. political sentiments. But the groundswell doesn't stop there.

Table 5

	U.S. Senate Count			U.S. House Count		
	Democrat	Republican	Other	Democrat	Republican	Other
1999-2001	45	55	0	211	223	1
2001-2003	50	50	0	213	220	2
2003-2005	48	51	1	205	229	1
2005-2007	44	55	1	201	233	1
2007-2009	49	49	2	233	202	0
2009-2011	57	41	2	257	178	0
2011-2013	51	47	2	193	242	0
2013-2015	53	45	2	201	234	0
2015-2017	44	54	2	188	247	0

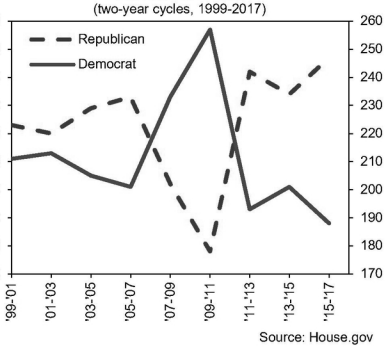
Source: 2009-2016 NCSL *numbers for State data are of January for each year
Source: Data prior to 2009 census.gov *numbers for state data are of March of each year

Figure 5
U.S. Senate Count
(two-year cycles, 1999-2017)



Source: Senate.gov

Figure 6
U.S. House Count
(two-year cycles, 1999-2017)



Source: House.gov

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b.) Politics in the States

In the state legislatures, the changes in the Democrat/Republican split have been equally as radical as they are in the U.S. Congress. Counting all senate members of the various state legislatures in 2009, there were 1,024 Democrats, 889 Republicans and 58 categorized as "other." (See Table 6 below). But today, the Democrats have only 827 State Senators, the Republicans 1,088, with 57 categorized as other—this is the very definition of a 180 degree turn around.

In the state houses of representatives in 2009, Democrats had 3,058 members to the Republicans' tally of 2,334 with 19 "others." And yet, today, the Republicans control the vast majority of state houses with a grand total of 3,037 house members to the Democrats' 2,342 members and 32 "others." This switch in state legislatures all but assures the Republican control of redistricting and control of the U.S. House for years to come.

As a final sort of "egg in your beer," the Democrats had 28 governors to the Republicans' 22 in 2009. Today there are 31 Republican governors, 18 Democrats and one "other" Bill Walker (I) in Alaska. With solid control of both houses and the governorships of so many states, a united Republican Party could do almost anything it wants to do if it has the will to do it, and, at the state level, the party is following through.

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Table 6
Membership of State Houses, Senates and Governorships by Party
(biannual: 1976-1998, annual: 2000-2016)

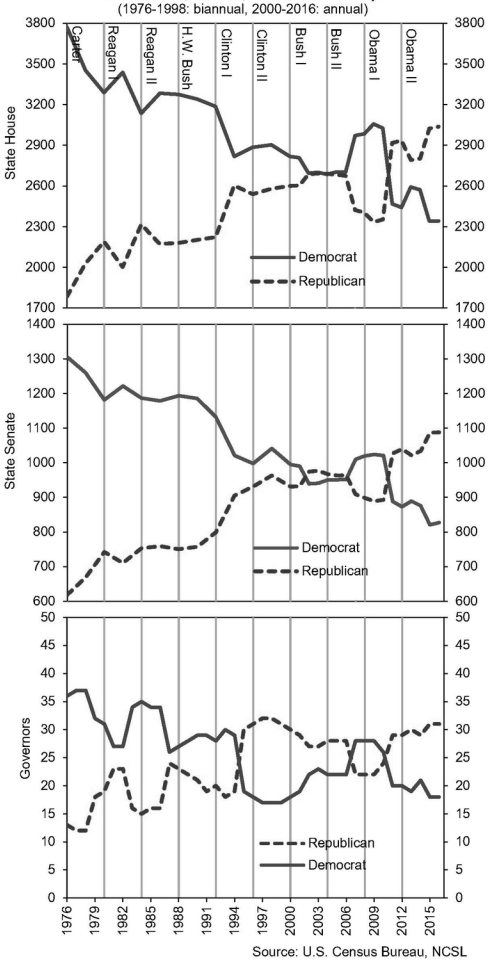
	State Senate Count			State House Count			Governor Count		
	Democrat	Republican	Other	Democrat	Republican	Other	Democrat	Republican	Ind.
1976	1306	618	8	3772	1783	26	36	13	1
1977							37	12	1
1978	1260	669	3	3454	2027	20	37	12	1
1979							32	18	0
1980	1182	742	8	3289	2190	22	31	19	0
1981							27	23	0
1982	1210	725	2	3429	2006	17	27	23	0
1983							34	16	0
1984	1187	753	6	3136	2316	14	35	15	0
1985							34	16	0
1986	1177	762	7	3294	2164	9	34	16	0
1987							26	24	0
1988	1192	751	3	3277	2176	13	27	23	0
1989							28	22	0
1990	1186	757	3	3242	2202	23	29	21	0
1991							29	19	2
1992	1132	799	4	3186	2223	31	28	20	2
1993							30	18	2
1994	1021	905	3	2817	2603	31	29	19	2
1995							19	30	1
1996	998	931	9	2886	2539	31	18	31	1
1997							17	32	1
1998	1041	963	3	2903	2580	0	17	32	1
1999							17	31	2
2000	995	931	11	2818	2600	21	17	31	2
2001	990	932	13	2809	2604	14	21	27	2
2002	939	974	58	2694	2687	30	21	27	2
2003	941	977	4	2700	2693	18	24	26	0
2004	950	967	53	2686	2689	21	22	28	0
2005	951	963	8	2704	2683	24	22	28	0
2006	952	964	6	2702	2675	34	22	28	0
2007	1010	909	3	2971	2422	18	28	22	0
2008	1020	898	4	2985	2403	24	28	22	0
2009	1021	890	11	3041	2346	24	28	22	0
2010	1026	893	3	3028	2356	27	26	24	0
2011	881	1032	9	2453	2924	36	20	29	1
2012	873	1040	57	2441	2939	31	20	29	1
2013	889	1022	61	2592	2791	28	19	30	1
2014	876	1034	62	2572	2802	37	21	29	0
2015	821	1087	64	2342	3024	45	18	31	1
2016	827	1088	57	2342	3037	32	18	31	1

Source: 2016-2016: NCSL, numbers are as of January for each year; 1976-2012: Census Bureau, numbers are as of March for each year

HOUSE_OVERSIGHT_025307

To put substance into the predictive power of state and local election results for presidential elections, I have graphically aligned state house results for all states with state senate results for all states and gubernatorial results for all states by year.

Figure 7
State House, Senate, and Governorships
(1976-1998: biannual, 2000-2016: annual)



Source: U.S. Census Bureau, NCSL

While by no means perfect, there is clearly a close correlation between a party's success in state and local elections, and that party's success in the upcoming presidential election. If that close correlation holds in November of 2016, there will be a Republican landslide.

HOUSE_OVERSIGHT_025308

In fact the entire political terrain of the U.S. has shifted 180 degrees in the past 8 years with one exception—the White House. A betting person with any lick of sense would be loath to bet against a Republican presidency and a radical reversal of economic policies.

VI. Issues and Political History

Another factor favoring Donald Trump over Hillary Clinton has to do with longevity and negative selection. The political process, more than any system I've ever worked with, thrives on pointing out mistakes and overlooking successes. My advice to many candidates has been to speak as little as possible and to describe policies in as general a manner as you can get away with. People aren't looking through your transcripts to find the next wonderful and positive thing you've done, but instead they try to find your missteps, transgressions, faux pas and failures. Politics is a totally negative process. You live or die by the sum total of what you've done wrong, not on the balance between what you've done right and what you've done wrong. In the words of Shakespeare, "the good is oft interred with their bones."[6]

Trump has had very limited exposure as a practicing politician and, therefore, has only his own words and phrases to criticize. While he may have a number of missteps in business or in his personal life, no one cares. And yet, he truly enjoys celebrity status as no one in politics today does. Also, given how much Trump has said about any number of issues over the past couple of years, there are probably quotes that can be used on any side of most any issue. But with Hillary, it's different.

Hillary has done a lot. She's been involved in politics at a visible level since the Watergate hearings and maybe even earlier. Her past contains numerous misdeeds and failures as much because she's done so much and perhaps not so much because she has been a failure. Yet, a diligent, hard-driving researcher can find a laundry list of her significant misdeeds.

To wit,

- As events have unfolded, her vote in favor of the Iraq War is a clear sign of poor political judgment, especially in her party.
- Her behavior surrounding the attack on the consulate in Benghazi and the failure to respond to four American deaths sure looks like a case of poor judgment.
- Her use of a private e-mail server while Secretary of State and thus the potential exposure of critical U.S. intelligence to those who would do us harm again smacks of poor judgement.
- The Clinton Foundation along with its big gifts and extraordinarily large speaking fees surely creates an aura of impropriety, favoritism and the absence of sound judgement.
- Her involvement in the cover-up of Fast and Furious is transparent bad judgment.
- Her disregard for coal miners and coal companies in her reckless quest to be seen as a defender of the environment is yet another case of dangerous judgement.
- The IRS scandal: While not directly implicated as a participant in an administration cover-up of the Cincinnati IRS office headed by Lois Lerner's misuse of government power, there are definite indications of her gross negligence in the pursuit of even-handed fairness of the power to tax.
- As I have predicted,[7] Obamacare has not only driven considerable premium increases for coverage since 2013, when the marketplace first opened for enrollment, but has also added significant cost burdens onto health insurance companies, many of whom are choosing to leave the Obamacare marketplace as costs continue to outpace profits. This has led to entire states, such as Alaska and Alabama, being left with only one insurer on their respective Obamacare marketplaces, with 650 counties total being left with just one insurer in 2017.[8]
- Her personal investments in cattle futures.[9] In the late 1970s, she turned an initial investment of $1,000 into $100,000 in just 10 months, despite having no previous investment experience. Her close friend, James Blair, an experienced commodities trader, advised her to enter the commodities market, but Clinton claimed to have made her own investment decisions. One academic study published in *The Journal of Economics and Finance* estimated the likelihood of achieving a result such as Clinton's as 1 in 31 trillion.[10]

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[6] William Shakespeare, *The Tragedy of Julius Caesar*, Act III, Scene 2, Line 1620.
[7] Arthur B. Laffer and Emily Evans, "Rising Health Care Costs and Premiums: Is the ACA to Blame?" Laffer Associates, July 30, 2015.
[8] Anna Wilde Mathews, "Insurance Options Dwindle in Some Rural Regions," *The Wall Street Journal*, May 15, 2016. http://on.wsj.com/1sqcTGq
[9] Caroline Baum and Victor Niederhoffer, "Herd Instincts: Hillary's Investment Profits," *National Review*. February 20, 1995. pp. 43–44.
[10] Seth C. Anderson and John D. Jackson, and Jeffrey W. Steagall, "A note on odds in the cattle futures," *The Journal of Economics and Finance*.

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HOUSE_OVERSIGHT_025309

From: Robert Kuhn [redacted]
Sent: 5/11/2017 5:38:37 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Kuhn

Importance: High

Ruminating (in Beijing traffic) on plant biology and ways to structure possible Closer To Truth (CTT) series to portray your sense and insights.

For plant biology per se, there's probably three strong episodes, with higher production values needed to illustrate ideas/principles (more than the usual CTT talking heads). To fit the CTT framework (and audience expectation), these fascinating discoveries or hints of complex, multifarious mechanisms would need to be explored (even if not yet understood) in terms of simple, fundamental principles (applicable across disciplines - so-called 'general systems theory').

This potential series on plant biology could be extended to 5-6 episodes by including medicinals - plant derivatives that are, for some conditions, best treatments for numerous diseases. This could include, for example, a critical look at Chinese medicine.

I think, though, there is a bigger idea lurking here. Your unique ways of thinking, exemplified by plant biology, encourages another, larger possibility for a significant CTT series. Each of the topics you've brought up, and many of your past fundings, sought kinds of breakthroughs or radically new ways of approaching reality and the knowledge and manipulation of reality. So, how about producing a big CTT series on just that - "Radical Breakthroughs"?

I can imagine CTT episodes on each of the following kinds of topics you've mentioned, in which radical breakthroughs or deep structural significance are being appreciated:
- Plant Biology
- Deception (biology)

- Power Laws ("found everywhere in nature, Pareto, law of large numbers")
- New Math ("category theory, membrane computing, as a new tool for cognition")

- Mathematics and Truth
- Music ("a tool to interogate the brain, not a product of but a lense into the inner software")

- Dreams ("always on, consciousness blocking access, schizo have sleep disorders")

- Power (nature,as you said, "financial, physical, intellectual, ability to do things in a local space")

I'm sure there are other such categories of 'radical breakthrough' - for example, several wild ideas in neuroscience, such as levels of information from sub-cellular to massive circuitry.

We would clearly unify the topics and episodes with an overarching thematic vision of "radical breakthroughs" that "challenge conventional wisdom" (this phrase was an early Closer To Truth subtitle).

Several of these topics can have more than one episode. We can easily produce 13 high-quality episodes and thus have a coherent full season on "Radical Breakthroughs", which would be distributed and marketed as such.

Such an approach to "Radical Breakthroughs" is core CTT - in fact, I attempted this as part of the very first CTT series in 1999/2000

"How do Breakthroughs Change Science" - with evolutionary biologist Francisco Ayala; philosopher and neuroscientist Patricia Smith Churchland; author/astronomer Timothy Ferris; child psychologist Rochel Gelman; and astrophysicist Neil deGrasse Tyson - https://www.closertotruth.com/roundtables/how-do-breakthroughs-change-science

"What are the Big Questions of Science?" - with evolutionary biologist Francisco Ayala; philosopher and neuroscientist Patricia Smith Churchland; author/astronomer Timothy Ferris; theoretical physicist Steve Koonin; and astrophysicist Neil deGrasse Tyson - https://www.closertotruth.com/roundtables/what-are-the-big-questions-science

Though the production values of these early shows are much lower than our current version (since 2008), the content and contributors suggest how CTT can do a big new series - a full season of 13 episodes - on "Radical Breakthroughs".

Appreciate specific direction, so that when we meet, I can be prepared

Love to do something big and dramatic together.

Robert

On May 9, 2017, at 7:52 PM, jeffrey E. <jeevacation@gmail.com> wrote:

plant biology. ? great experiments being done. rarely looked at before. root communication. No , I have not lost my mind, . If done well , you would get lots of press. cutting edge technologys for optogenetics , experiments that dont require IRB approval. . its very exciting. do plants get an alzheimer equivalent placque, . als disease. parkinsons , yes it seems so. most cancer drugs are plant derivatives. / lots of fun . good luck in china

On Mon, May 8, 2017 at 11:39 PM, Robert Kuhn <[redacted]n> wrote:

Appreciate consideration. I'm next in NY June 7 (for about a week); love to brainstorm…. I too would really like to do something (important) together.

Just arrived in Beijing for the "The Belt and Road Forum for International Cooperation" (commentating), the second most important event of 2017 in China (after the upcoming Party Congress), but Western media not paying much attention, what with All-Things-Trump.

On May 8, 2017, at 7:03 PM, jeffrey E. <jeevacation@gmail.com> wrote:

hope things are well. . when are you back. . I would love to do something with you , but sleep is not going to be it. . I have read quite alot and frankly , the subject is fascinating but i see no real insights. just more questions and mostly the same ones that have been asked for years. . yes, its role in many processes are now becoming apparent. but I see no theories that can hold their own (yet).

--

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From: Flipboard 10 for Today [editorialstaff@flipboard.com]
Sent: 7/3/2019 9:01:27 PM
To: jeevacation@gmail.com
Subject: Will Hunter Biden jeopardize his father's campaign?

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For Radio Host Of the Counterculture, It Was a Strange Trip

By COREY KILGANNON

For a half century, Bob Fass, 85, has presided over the late-night airwaves of New York City with a radio show named "Radio Unnameable," which has aired since 1963 on WBAI-FM, the listener-supported haven for the radical left.

As a self-described "midwife at the birth of the counterculture," Mr. Fass, in his time behind the microphone, has borne witness to some unusual episodes.

The second night his show aired, a listener set the tone by delivering marijuana to the station. There was the time, in 1966, when Bob Dylan showed up in the studio and began taking callers and cracking jokes. In 1971, Mr. Fass essentially talked a caller out of committing suicide while on the air.

But lately, Mr. Fass's life has begun imitating the craziness of his show, ever since he and his wife, Lynnie, attempted to move out of their Staten Island home to a new house in Danbury, Conn., setting off a misadventure worthy of one of his distressed late-night callers.

Last month, moments after he entered his new home, as the movers were carrying in his belongings, Mr. Fass casually flicked on a gas fireplace, which promptly malfunctioned and set the house on fire.

It was a two-alarm blaze that left Mr. Fass, who uses a wheelchair, inhaling smoke for several minutes until the movers rushed in and carried him out.

"I could have been roast D.J.," said Mr. Fass. "Have you ever heard the Warren Zevon song 'I was in the House When the House Burned Down?'"

And so the "Unnameable" radio host now faces an unknowable future.

Even in adversity, though, Mr. Fass, whose show airs Thursday nights at midnight, can be counted on for a pithy take on things. His improvisational monologues and his mix of guests and music helped pioneer free-form radio, and his show was a vital forum for activists, musicians, and everyday people to come together around issues including the Vietnam War, drugs and social justice.

After the fire, with nowhere else to stay, the Fasses returned to their empty house on Lake Avenue on Staten Island, near the Bayonne Bridge, where they live with their 10 or so adopted feral cats.

A single couch now serves as their shared bed as they sort out their future. Most of their belongings either remain in storage or were damaged by the fire.

The bulk of Mr. Fass's radio archive was recently acquired by Columbia University, with payment for the acquisition going toward the new house, he said.

But numerous boxes of radio recordings that Columbia had not acquired were damaged in the fire, Mr. Fass said.

"There's a lot of history in there," said Mr. Fass, who is no stranger to dealing with tumultuous events: His show became both a communications and coverage hub for Yippie events, the 1963 March on Washington, the 1968 Democratic National Convention in Chicago and the 1988 Tompkins Square Park riot.

His callers have ranged from Black Panthers to John Lennon to ordinary New Yorkers. One of Mr. Dylan's first broadcast appearances was on Radio Unnameable. The Yippie movement leader Abbie Hoffman was a regular guest, as were Hunter S. Thompson, Allen Ginsberg and Timothy Leary.

The Danbury house fire occurred just before the Fasses were set to close on both the sale of the Staten Island house and the purchase of the Danbury home. So the fate and details of both transactions are in limbo, he said.

The Fasses said they signed an agreement with the developer buying their house stipulating that they vacate by the original move-out date last month or face daily monetary penalties.

A lawyer for the buyer did not respond to messages.

Even if they had the money to rent a place, it might be hard to find a landlord who would welcome a colony of cats, said Mr. Fass, who had already taken two of the cats to the Danbury house. During the fire, one of them, Plutarch, escaped and remained missing for several weeks, until Ms. Fass found him.

Mr. Fass recently completed a three-month hospital stay and is recovering from heart problems. The smoke inhalation from the fire has added a chronic cough to his health concerns.

Mr. Fass, a native of Brooklyn who lived for decades in Manhattan, moved to Staten Island 25 years ago, but said he had grown weary of the increasing truck traffic at a warehouse across the street.

The Danbury house was an affordable option that allowed Ms. Fass to continue to commute to her paralegal job in Brooklyn. Mr. Fass had been broadcasting his show remotely in recent years from a studio in his house, and planned on doing so from Danbury.

YANA PASKOVA FOR THE NEW YORK TIMES

Bob and Lynnie Fass have been sleeping on the couch in Staten Island since a fire in their new home in Connecticut. Mr. Fass with Abbie Hoffman, right, circa 1968.

In interviews, the Fasses' broker and the lawyer handling the purchase of the Danbury house both insisted that the Fasses will be able to move into the house after a renovation covered by the seller's homeowners insurance.

But the Fasses said they have no guarantee of this, and with much of the purchase price for the Danbury house in escrow, they are being pressured to close on the property.

"This type of thing is really not my area, and I have no money for a lawyer to figure it out," said Mr. Fass, whose radio career was depicted in a 2012 documentary, "Radio Unnameable."

The seller of the Danbury home did not respond to an email, and her lawyer, Lawrence M. Rieffberg, said he could not comment without her permission.

In a poetic reversal, Mr. Fass recently called in to his own show — which is being temporarily handled by a colleague, Bill Propp — and described the fire story on WBAI (where this reporter is an unpaid co-host of a weekly talk show).

Mr. Fass said he stopped receiving a salary from WBAI in 1977 and relies on Social Security benefits. Over the years, some of his listeners have donated to a retirement fund for him.

After the fire, some of his longtime listeners — the Fass "cabal," as he has always called them — organized pages, which have raised roughly $2,000.

ROBERT ALTMAN/MICHAEL OCHS ARCHIVES, VIA GETTY IMAGES

On the radio, Mr. Fass often helped raise funds for demonstrations and for legal defenses for such figures as the boxer Rubin "Hurricane" Carter, the activist Wavy Gravy and Mr. Hoffman, not to mention institutions like the East Village Other newspaper.

"Bob's been a voice for the people for so long, and so many listeners have called in to his show in their time of need," said Jessica Wolfson, who with Paul Lovelace, produced and directed the "Radio Unnameable" documentary. "And now he has a chance to move to a comfortable living situation and the whole thing literally goes up in flames."

Resting on his couch in the living room, next to his walker and his oxygen tanks, Mr. Fass disposed of a telemarketer by feigning a heart attack while on the phone. Then he sighed.

"I'm just overwhelmed by everything that's happening," he said. "It might sound amusing, but not when it's happening in your own life."

The Cold-Case Specialist Who Wants to Put Robert Durst Away

By CHARLES V. BAGLI

LOS ANGELES — When Robert A. Durst was asked why he had talked to the makers of "The Jinx" — the 2015 HBO documentary about the suspicions that had dogged him for years over the untimely deaths of his first wife, a close confidante and a cantankerous neighbor in Texas — he said he had thought it was low risk.

It was unlikely, he said, that any prosecutor would "commence a major, budget-busting investigation" for a couple of cold cases.

But shortly before the last episode was broadcast, John Lewin, a deputy district attorney in Los Angeles, proved Mr. Durst wrong. Mr. Lewin, who has a long record of winning guilty verdicts in cold murder cases, had him arrested in New Orleans.

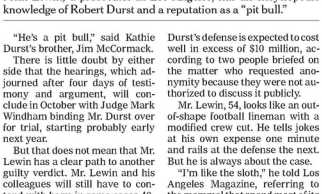
Mr. Lewin would eventually charge Mr. Durst with the execution-style murder in Los Angeles in 2000 of his confidante, Susan Berman. Preliminary hearings in the case were held in a courtroom here last week.

The prosecution contends that Mr. Durst, the alienated scion of a New York real estate family, killed Ms. Berman with a gunshot to the back of the head to prevent her from revealing her role in helping him cover up the murder of his first wife, Kathie Durst, to investigators who had reopened that case.

In a sense, Mr. Lewin must prove two cold cases, not just one. "It is important to understand that all of the defendant's subsequent criminal conduct can be traced back to his original killing of his wife Kathie decades earlier, and his subsequent efforts to avoid criminal culpability for her death," he said in court papers.

Mr. Lewin, who declined to be interviewed for this story, has talked to virtually every witness in the case, which covers 40 years and has a cast of dozens. During court hearings over the past year, he has displayed an encyclopedic knowledge of Mr. Durst, his history, his friends and his alleged victims.

Mr. Lewin has conducted punishing examinations of Mr. Durst's friends and even of the now-retired detective who first looked into the disappearance of Ms. Durst.



JABIN BOTSFORD/LOS ANGELES TIMES

John Lewin, a prosecutor in Los Angeles, has an encyclopedic knowledge of Robert Durst and a reputation as a "pit bull."

"He's a pit bull," said Kathie Durst's brother, Jim McCormack.

There is little doubt by either side that the hearings, which adjourned after four days of testimony and argument, will conclude in October with Judge Mark Windham binding Mr. Durst over for trial, starting probably early next year.

But that does not mean that Mr. Lewin has a clear path to another guilty verdict. Mr. Lewin and his colleagues will still have to contend with hazy, in some cases 40-year-old memories; the lack of the weapon in Ms. Berman's shooting; and the absence of a body or even a crime scene in the disappearance and presumed death of Ms. Durst, for which no one has ever been charged.

Mr. Durst, 75, frail and worth $100 million, has said repeatedly that he did not kill his first wife, nor does he know who killed Ms. Berman. And despite the certainty of a trial, Dick DeGuerin, the Texas lawyer who leads Mr. Durst's defense team, insists that the prosecution has still not proven that Mr. Durst killed either woman.

As for the hard-charging prosecutor with whom he has repeatedly clashed, "He's a bully, but that's not unusual for prosecutors," Mr. DeGuerin said of Mr. Lewin. "And he's not used to people standing up to him."

Both sides have already invested an enormous amount of time and money in the case. Mr. Durst's defense is expected to cost well in excess of $10 million, according to two people briefed on the matter who requested anonymity because they were not authorized to discuss it publicly.

Mr. Lewin, 54, looks like an out-of-shape football lineman with a modified crew cut. He tells jokes at his own expense one minute and rails at the defense the next. But he is always about the case.

"I'm like the sloth," he told Los Angeles Magazine, referring to the mammal that spend most of its time hanging upside down in trees. "I have this one skill."

Since he won his first cold case in 2002, Mr. Lewin has stacked up 16 guilty verdicts or pleas, the magazine said.

His first cold case resurfaced this year when a state panel ruled that William Bradford, whom Mr. Lewin successfully tried for the murder of his wife after the case lay dormant for 12 years, and who is now 84, deserved parole, a move that Mr. Lewin vehemently opposed.

Mr. Lewin's decision to pick up the Berman case was propelled, in part, by the producers of "The Jinx," Andrew Jarecki and Marc Smerling, who brought the authorities what they believed was new evidence about Ms. Berman's murder and the disappearance of Ms. Durst.

On Dec. 24, 2000, the police found the body of Ms. Berman, a sometime screenwriter, in her Benedict Canyon home in Los Angeles, shot in the back of the head. Someone had sent a note to the Beverly Hills Police Department alerting them to a "cadaver" at the address.

Suspicion quickly passed from Ms. Berman's landlady to her manager before landing on Mr. Durst. But once again, little came of it.

In interviews with "The Jinx" producers, Mr. Durst admitted that he had fled to police in 1982 about his whereabouts at the time his wife disappeared and described how his marriage had become a series of "half arguments, fighting, slapping, pushing, wrestling."

In a scene depicted in "The Jinx," Mr. Durst could not distinguish between the handwriting on the envelope of the "cadaver" note, which misspelled Beverly Hills as "Beverley," and a note he had sent to Ms. Berman with the same misspelling.

The documentary ended famously with Mr. Durst muttering off camera, "What the hell did I do? Killed them all of course."

Mr. DeGuerin has dismissed the documentary as a Hollywood concoction.

After having Mr. Durst arrested on a murder warrant and gun charges, Mr. Lewin hopped a plane to New Orleans and managed to interview him for three hours before he was arraigned. In the interview, Mr. Lewin complimented and cajoled Mr. Durst, suggesting he would never be a free man, although he might be able to negotiate a plea.

The defense challenged the interrogation as "improper and deceptive." Mr. Lewin responded angrily in a brief to what he described as "baseless allegations," along with a video and transcript of the entire encounter.

With no witnesses and no murder weapon, Mr. Lewin has been building a case out of tiny puzzle pieces. He may have set a record for the use of what are known as conditional hearings, in which a prosecutor can question witnesses 65 or older who could die or become ill before trial — he brought 20 witnesses to the stand for them. A judge must determine whether any of the testimony is admissible at trial.

In response to a 12-page motion from the defense to exclude any statements Ms. Berman allegedly gave to her friends as hearsay, Mr. Lewin responded in March with what has become known as "Big Boy": a 77-page brief accompanied by 316 pages of exhibits.

At times, the space between the defense and prosecution tables has crackled. Mr. Lewin once made a remark about "these lawyers being paid millions of dollars." It was not long before Mr. DeGuerin bounced back with a crack about Mr. Lewin driving a Porsche.

Mr. Lewin's full-court press has occasionally ranked Judge Windham, particularly when he continues to argue a motion after the judge has ruled in his favor. "You're interrupting my thinking," the normally Zen-like judge said at one point last Thursday. "Please be quiet."

The prosecution scored two victories last week when Judge Windham ruled that he would accept testimony from 13 friends who say Ms. Berman confided to them that she assisted Mr. Durst in the cover-up and had been expecting him to visit her around the time of her murder. The judge also accepted testimony and records concerning incidents of domestic violence in the Durst marriage, pending challenges by the defense.

Karen Minutello, the former manager of the Manhattan building where the Dursts had an apartment in 1982, testified during last week's hearing that Ms. Durst had called her shortly before her disappearance, saying that she was looking for another apartment in the building because "she needed to get away" from her husband.

A week after Ms. Durst disappeared, Ms. Minutello said, she saw the porters pulling her notebooks, textbooks, makeup and clothing from a jammed trash compactor in the basement of the building. Ms. Minutello determined that it had all been shoved down the chute from the Dursts' 15th-floor apartment.

"Who does that?" Ms. Minutello said. "Their loved one missing and you throw out their stuff."

She said she expected to be questioned by the police. She "always expected them to" call, she went on, "and they never did."

Corrections

INTERNATIONAL

An article on Monday about the number of women and Afro-Cubans chosen to serve under Cuba's new president referred incorrectly to research about the racial balance among college students in Cuba and the United States in the 1980s. A study by Alejandro de la Fuente found that the proportion, not the number, of black Cubans with degrees compared with white Cubans was close, and that the proportion, not the number, of white college degree holders in the United States was twice that of African-Americans. The study also referred to graduation rates, not attendance.

An article on Monday about protests against social security changes in Nicaragua misstated the legal changes that allowed Daniel Ortega to win a presidential election in 2007. He was allowed to win by a plurality, not a simple majority.

An article on Sunday about the reception of Miguel Díaz-Canel Bermúdez, Cuba's new president, described incorrectly adjustments to immigration policy under the Obama administration. President Barack Obama ended "wet foot dry foot," a rule that allowed Cubans who arrived without visas to remain in the United States. He did not end the Cuban adjustment act.

An article on Saturday about the actress Natalie Portman's decision to skip the Genesis Prize ceremony in Jerusalem referred incorrectly to Scarlett Johansson's departure from the charity Oxfam. She resigned as a spokeswoman; she was not dropped.

Because of an editing error, an article on Saturday about an auction to sell historical objects in Heathrow Airport misstated how many passengers Heathrow's Terminal 1 could accommodate when it was dedicated in 1969. It was nine million passengers a year, not a day.

BUSINESS DAY

An article on Sunday about Campbell Brown's role as Facebook's head of news partnerships erroneously included a reference to Palestinian actions as an example of the sort of far-right conspiracy stories that have plagued Facebook. In fact, Palestinian officials have acknowledged providing payments to the families of Palestinians killed while carrying out attacks on Israelis or convicted of terrorist acts and imprisoned in Israel; that is not a conspiracy theory.

An article on Saturday about President Trump's criticism of OPEC and rising oil prices misstated, in one reference, a recent increase in gasoline prices. They have risen 33 cents in the last year, not the last month.

An article on Wednesday about budget airlines reinvigorating smaller airports on the outskirts of major cities misstated the distance between Seattle Tacoma International Airport and Paine Field. They are about 37 miles apart, not 12.

SPORTS

An article on Friday about the hesitance of the International Association of Athletics Federations to allow Russian athletes to compete in major track and field events misstated Sebastian Coe's title within the organization during an extortion scheme. He was vice president, not senior vice president.

THE ARTS

A picture caption with an article on Saturday about the Actors' Equity Association's decision to retire the term "Gypsy Robe" misidentified the "Cats" cast member wearing the garment. He is Jeremy Davis, not Jeremy Ford.

An opera review on Monday about "The Metromaniacs" by David Ives, using information from a publicist, misstated the number of French plays from the 17th and 18th centuries that David Ives has translated. It is four, not three. The review also misstated the number of plays that were collected for "All in the Timing." It is six, not three.

OBITUARIES

An obituary on Friday about the record producer and songwriter Ronald Dunbar omitted the name of one of his survivors. In addition to those named, he is survived by a daughter, Ginger Atherton.

An obituary on April 15 about the actor Tim O'Connor misidentified the county in New Jersey where Glen Wild Lake, the site of an island where he and his wife lived for many years, is located. It is Passaic, not Essex.

Errors are corrected during the press run whenever possible, so some errors noted here may not have appeared in all editions.

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HOUSE_OVERSIGHT_025328

From: paul krassner [paulkrassner@roadrunner.com]
Sent: 1/16/2019 7:50:41 PM
To: Nancy Cain [[redacted]]; Tom [[redacted]]; Marie Moneysmith [[redacted]] Steven Gaydos [[redacted]]; George Krassner [[redacted]]; Linda W. Grossman [[redacted]]; Holly Krassner Dawson [[redacted]]; Daniel Dawson [[redacted]]; Danny Goldberg [[redacted]]; Caryl Ratner [[redacted]]; Kevin Bright [[redacted]]; Michael Simmons [[redacted]]; Samuel Leff [[redacted]]; Bob Fass [[redacted]]; Lynnie Tofte Fass [[redacted]]; Lee Quarnstrom [[redacted]]; Barb Cowles [[redacted]]
Subject: Fwd: Manson Girls / Acid Trip Agreement

Importance: High

From: Lonnie Martin <[redacted]>
Subject: Re: Manson Girls / Acid Trip Agreement
Date: January 16, 2019 at 6:50:44 AM PST
To: paul krassner <[redacted]>

Hi Paul.

Thanks so much for sharing both your note to Steven and your latest Manson essay with me. It's always wild to read that piece. I have parts of it memorized at this point.

After reading your comment about vibes from the movie, I feel like I have some explaining to do. This is all stream of consciousness writing so take it on merit, I guess. No harm is meant.

As 'The Last of the Manson Girls' got closer to completion, I was insanely nervous about showing it to you. I knew it there was very little in it that was "Truth" in terms of minute details. What I did was take the broad strokes of your essay and make it into the "beats" of my story.

For example, Sandy's invitation to take a bath formed the spine of the "mermaid" scene. Squeaky's line, "Manson never took anybody who wasn't already discarded by the society" formed the spin of the animated fever dream where she talks about her father. The visit to Merrick was a good place to get into some of my views about conspiracy and the human mind's ability to latch on to anything to avoid unpleasant facts. Squeaky's line "Well what do you expect from me. I'm crazy" was obviously later then this meeting, but it was just too good a line to let go.

I didn't use elements of your essay that made actual filming and production tougher. For example, the interlude in your essay where you went to a home of friend of the family and smoked weed for example became "you" smoking weed at their pad.

I added in beats, character traits and dialgoue that helped form that "dramatic arc" that works in movies so well. You and the Manson Women must have talked about far more than you mentioned in your essay, but I took liberties with what was said and how it was presented. Maybe I should have reached out to you about these conversations. I guess I was afraid of the Truth getting in the way of a good story.

All the Mae Brussel stuff is there because its seemed a simple (Ha!) way to explain to the audience "Why is Paul going there?" Squeaky asking for the LSD rather than you bringing it was, again, an easy and short way to explain to the audience why LSD was involved.

There's a lot of my personal experience in the film. I *did* have a panic attack while on LSD and passed out hugging a toilet. (I didn't however go to a desert/beach and talk to futuristic Squeaky Fromme, though I was in the desert when it happened.) I once had a very contentious creative friendship with one of my best friends who is a friend no longer. That seemed to mirror some of your relationship with Lenny Bruce. I also felt like your relationship with Lenny had so much to do with your evolution as a writer, satirist, and comedian that it seemed proper to put that in there. I wrestled a *long* time over even mentioning your daughter because it seemed more of a personal invasion than you had bargained for. However, based on your memoir, it was obvious how important that relationship and aspect of your life was to you.

The smooching with Squeaky isn't meant to be any kind of bawdy Enquirer scandal. It's tied to the idea that by the end of the movie this "Paul" isn't scared of her. The kiss is mentioned as being symbolic of acceptance and despite all their philosophical differences, "Paul" and Squeaky in the film find a way to "accept" each other. "We've got a find a way to love the people we hate." is the statement I always say at talkbacks when people ask me what the ending of the movie means.

The movie was conceived and made as a response to my own feelings of doubt about myself, and my growing social irrevelavance as I age. (I turned 40 while making it.) It's about coming to terms with the mistakes I've made and the hubris that caused them.

It's also about resistance fatigue. It asks (in a roundabout way), "What happens if the good guys *do* lose the war?" I saw similarities between how the protest wing of the counterculture may have felt in the wake of RFK, the Weathermen and the SLA, and having the whole movement for something bigger start to go sour as it mainstreamed. The similarities between Nixon and Trump are so obvious, I feel like I don't even need to mention them. I saw similarities in your spiritual journey to mine. "Paul Krassner" in my script was in some ways a vessel to project all my own hang-ups onto. I suppose that's an unfair burden to put on you.

I don't know if this all sounds like excuse-making, but it's my way of saying that I certainly don't want to "break a legacy." I think the work you did with "The Realist" is important and paved the way for the Onion, The Daily Show, and society's general acceptance of raw, cutting satire in the world of politics and journalism. The last thing I would ever want to do is have that be tainted. Film has that power of course. The medium by it's nature hypnotizes, and has a funny way of clouding up the truth. Fiction becomes history and vice versa.

More than anything, I don't want you to feel taken advantage of or disrespected.

I probably should have explained this to you earlier. I probably should have called and had a conversation with you about it, and I'm happy to still do that.

Thank you again or allowing me to tell this story, even through my own distorted lens.

All the best,

Lonnie

From: Flipboard 10 for Today [editorialstaff@flipboard.com]
Sent: 6/20/2019 7:34:52 PM
To: jeevacation@gmail.com
Subject: Using CRISPR to resurrect the dead

Flipboard

Interesting stories worth your time.

‘My Whole Life Is a Bet.’ Inside President Trump’s Gamble on an Untested Re-Election Strategy

time.com / Brian Bennett ‘My whole life is a bet,’ the President of the United States says, resting his forearms on the edge of the Resolute desk in the Oval Office. It’s a... read more

Using CRISPR to resurrect the woolly mammoth

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cnet.com / Jackson Ryan De-extinction, bringing extinct species back from the dead, is now on the table thanks to the revolutionary gene-editing technology CRISPR. read more

Slack Wants to Replace Email. Is That What We Want?

The Slack logo seen in Hollywood, Fla. This is an image from Slack's website, which Slack has allowed us to use in our coverage.

nytimes.com / JOHN HERRMAN Slack is coming for your job. The workplace chat company, valued at more than $7 billion at the time of its last funding round, is going public this... read more

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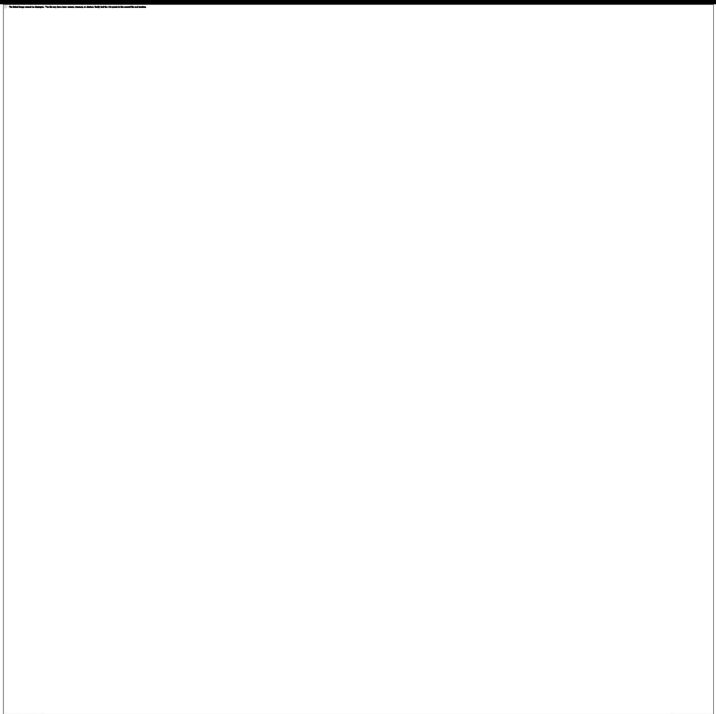
Iceland's data centers are booming—here's why that's a problem

The Arctic Gaga cannot be helped. The Gaga was born because, previously, an Arctic Gaga, Gaga was born, Gaga was born, Gaga was born, Gaga was born.

technologyreview.com / Tryggvi Adalbjornsson Bitcoin miners and data scientists love cheap, green Icelandic processing power. Maybe a little too much. The southwestern tip of Iceland is a barren... read more



What is the summer solstice? The answer might surprise you.

The Great Image search for Instagram. The Day one Great Image search, an artistic Today Show Hoda and Kathie Lee Gifford Instagram.

nationalgeographic.com / Michael Greshko Once a year, an astronomical alignment ushers in this seasonal change. Amazing facts and myths surround it. This year, the northern summer solstice... read more

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money.com / Kristen Bahler Emma Lee is the kind of student your parents always wanted you to be. She carries a hand-bound notebook wherever she goes, pulling it out of her... read more

Blood Feasts and Roach Vacuums: The Life of an Urban Pest Scientist

The bed bugs were in heaven. The boy was blind and, anyway, a minor. Only then did we pick his corpse from the beds.

gizmodo.com / Ed Cara It's not often you get to witness one of the most brutal acts of the natural world up close: bed bug sex. But there I was, at North Carolina State ... read more

The marble upstairs

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curbed.com / Sarah Harvey Every night in my apartment in Nice, I heard the sound of marbles rolling across the floor upstairs. Or perhaps they were pins being hurled to the... read more

The Most Untapped Destinations in the World—and How to Travel Them in Style

harpersbazaar.com / Tom Marchant From remote islands to unexplored deserts and jungles teeming with wildlife... Tom Marchant is the co-founder of luxury travel company and trip planner,... read more

The Contemporary Adventure Canon

The Daily Edition

outsideonline.com / Shawnté Salabert Desert Solitaire. Alive. Kon-Tiki. Touching the Void. The Perfect Storm. Wild. The shelves of any adventurous book lover are undoubtedly stuffed with... read more

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From: Weingarten, Reid [redacted]
Sent: 10/16/2012 1:00:27 AM
To: 'jeevacation@gmail.com' [jeevacation@gmail.com]
Subject: Re: Re:

Importance: High

Clinton

From: Jeffrey Epstein [mailto:jeevacation@gmail.com]
Sent: Monday, October 15, 2012 04:01 PM
To: Weingarten, Reid
Subject: Re: Re:

richardson .. ?? of course or gates?

On Mon, Oct 15, 2012 at 11:53 PM, Weingarten, Reid <[redacted]> wrote:

What a funny dude you are two weeks from tomorrow...having dinner tonite with your buddy wild bill c...should I bring you up?

From: Jeffrey Epstein [mailto:jeevacation@gmail.com]
Sent: Monday, October 15, 2012 5:51 PM
To: Weingarten, Reid
Subject: Re:

not sure, ,when is your opening? i am not referrring to either sheryl or c

On Mon, Oct 15, 2012 at 11:47 PM, Weingarten, Reid <[redacted]> wrote:

Dealing with the Jackson shitshow right now...options problems are a pimple in an elephant's ass in the case...when are you next in nyc

From: Jeffrey Epstein [mailto:jeevacation@gmail.com]
Sent: Monday, October 15, 2012 5:46 PM
To: Weingarten, Reid
Subject:

do i assume that you have no more option questions?

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 6/2/2017 7:46:46 AM
To: LHS [redacted]
Subject: Re: Is Donald still feeling go

Lisa biz
On Thu, Jun 1, 2017 at 11:08 PM LHS <[redacted]> wrote:
??

Sent from my iPad

Please direct all scheduling inquiries to my office at:[redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Thu, Jun 1, 2017 at 9:13 PM -0400, "jeffrey E." <jeevacation@gmail.com> wrote:

prospectus

On Sun, May 28, 2017 at 8:49 PM, LHS <[redacted]> wrote:
With demand happy to consider and likely do. Dont want to go sucking up.

Did Klein do it again? Agree bad business. Or are u referring to what u talked about months ago.

Sent from my iPhone

Please direct all scheduling inquiries to my office at:[redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On May 28, 2017, at 7:49 PM, jeffrey E. <jeevacation@gmail.com> wrote:

BTW , still not sure why michael klein decided to try to attack me. wasn't smart or necessary, . used our friendship as a source, . thought you should know. not nice

On Sun, May 28, 2017 at 7:36 PM, LHS <[redacted]> wrote:
More would represent Donald if Kaslowitz out of picture. Not surprising. very hard to be law firm representing POTUS and know what to do when potus lies to u.

My world thinks poorly of Gorelick for representing Jared.

How guilty is Donald?

Of crudity surely
Of gross ignorance surely
Of being utterly without the intellect temperament for job surely
Of being over line on family profiting very likely
Of gross disregard for appearances almost surely.
Of Russians having financial leverage. Less clear
Of Russians helping in. Election w complicity of his campaign plausible but not certain

Strikes me if u work for Donald u don't free lance so he is guilty of whatever his campaign did.

Do u agree w foregoing?

Sent from my iPad

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

From: jeffrey E. <jeevacation@gmail.com>
Sent: Sunday, May 28, 2017 7:28 PM
Subject: Re: Is Donald still feeling good
To: LHS <[redacted]>

wild, there will be some changes this week. . funny but kaslowitz is getting turned down repeatedly , by firms unwilling to represent donald.

On Sun, May 28, 2017 at 7:22 PM, LHS <[redacted]> wrote:
R u still plugged in to the show?

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

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Fax: 202-654-4889
joe.whitley@alston.com

May 19, 2008

VIA FACSIMILE (202) 514-0467

CONFIDENTIAL

Honorable Mark Filip
Office of the Deputy Attorney General
United States Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, D.C. 20530

Dear Judge Filip:

In his confirmation hearings last fall, Judge Mukasey admirably lifted up the finest traditions of the Department of Justice in assuring the United States Senate, and the American people, of his solemn intent to ensure fairness and integrity in the administration of justice. Your own confirmation hearings echoed that bedrock determination to assure that the Department conduct itself with honor and integrity, especially in the enforcement of federal criminal law.

We come to you in that spirit and respectfully ask for a review of the federal involvement in a quintessentially state matter involving our client, Jeffrey Epstein. While we are well aware of the rare instances in which a review of this sort is justified, we are confident that the circumstances at issue warrant such an examination. Based on our collective experiences, as well as those of other former senior Justice Department officials whose advice we have sought, we have never before seen a case more appropriate for oversight and review. Thus, while neither of us has previously made such a request, we do so now in the recognition that both the Department's reputation, as well as the due process rights of our client, are at issue.

Recently, the Criminal Division concluded a very limited review of this matter at the request of U.S. Attorney Alex Acosta. Critically, however, this review deliberately excluded many important aspects of this case. Just this past Friday, on May 16, 2008, we received a letter from the head of CEOS informing us that CEOS had conducted a review of this case. By its own admission, the CEOS review was "limited, both factually and legally." Part of the self-imposed limitation was CEOS's abstention from addressing our "allegations of professional misconduct by federal prosecutors"—even though such misconduct was, as we contend it is, inextricably intertwined with the credibility of the accusations being made against Mr. Epstein by the United States Attorney's Office in Miami ("USAO"). Moreover, CEOS did not assess the terms of the Deferred Prosecution Agreement now in effect, nor did CEOS review the federal prosecutors' inappropriate efforts to implement those terms. We detail this point below.

By way of background, we were informed by Mr. Acosta that, at his request, CEOS would be conducting a review to determine whether federal prosecution was both appropriate and, in his words, "fair." That is not what occurred. Instead, CEOS has now acknowledged that we had raised "many compelling arguments" against the USAO's suggested "novel application" of federal law in this matter. Even so, CEOS concluded, in minimalist fashion, that "we do not see anything that says to us *categorically* that a federal case should not be brought" and that the U.S. Attorney "would not be *abusing his prosecutorial discretion* should he authorize federal prosecution of Mr. Epstein" thus delegating back to Mr. Acosta the decision of whether federal prosecution was warranted (emphasis added). Rather than assessing whether prosecution would be *appropriate*, CEOS, using a low baseline for its evaluation, determined only that "it would not be impossible to prove . . ." certain allegations made against Mr. Epstein. The CEOS review failed to address the significant problems involving the appearance of impermissible selectivity that would necessarily result from a federal prosecution of Mr. Epstein.

We respect CEOS's conclusion that its authority to review "misconduct" issues was precluded by Criminal Division practice. We further respect CEOS's view that it understood its mission as significantly limited. Specifically, the contemplated objective was to determine whether the USAO would be abusing its discretion by bringing a federal prosecution rather than making its own de novo recommendations on the appropriate reach of federal law. However, we respectfully submit that a full review of all the facts is urgently needed at senior levels of the Justice Department. In an effort to inform you of the nature of the federal investigation against Mr. Epstein, we summarize the facts and circumstances of this matter below.

The two base-level concerns we hold are that (1) federal prosecution of this matter is not warranted based on the purely-local conduct and the unprecedented application of federal statutes to facts such as these and (2) the actions of federal authorities are both highly questionable and give rise to an appearance of substantial impropriety. The issues that we have raised, but which have not yet been addressed or resolved by the Department, are more than isolated allegations of professional mistakes or misconduct. These issues, instead, affect the appearance and administration of criminal justice with profound consequences beyond the resolution in the matter at hand.

* * *

In a precedent-shattering investigation of Jeffrey Epstein that raises important policy questions—and serious issues as to the fair and honorable enforcement of federal law—the USAO in Miami is considering extending federal law beyond the bounds of precedent and reason. Federal prosecutors stretched the underlying facts in ways that raise fundamental questions of basic professionalism. Perhaps most troubling, the USAO in Miami, as a condition of deferring prosecution, required a commingling of substantive federal criminal law with a proposed civil remedy engineered in a way that appears intended to profit particular lawyers in

private practice in South Florida with personal relationships to some of the prosecutors involved. Federal prosecutors then leaked highly sensitive information about the case to a New York Times reporter.[1] The immediate result of this confluence of extraordinary circumstances is an onslaught of civil lawsuits, all save one brought by the First Assistant's former boutique law firm in Miami.

The facts in this case all revolve around the classic state crime of solicitation of prostitution.[2] The State Attorney's Office in Palm Beach County had conducted a diligent investigation, convened a Grand Jury that returned an indictment, and made a final determination about how to proceed. That is where, in our federal republic, this matter should rest. Mr. Epstein faces a felony conviction in state court by virtue of his conduct, and the only reason the State has not resolved this matter is that the federal prosecutors in Miami have continued to insist that we, Mr. Epstein's counsel, approach and demand from the State Attorney's Office a harsher charge and a more severe punishment than that Office believes are appropriate under the circumstances. Yet despite the USAO's refusal to allow the State to resolve this matter on the terms the State has determined are appropriate, the USAO has not made any attempt to coordinate its efforts with the State. In fact, the USAO mandated that any federal agreement would be conditioned on Mr. Epstein persuading the State to seek a criminal punishment unlike that imposed on other defendants within the jurisdiction of the State Attorney for similar conduct.

From the inception of the USAO's involvement in this case, which at the end of the day is a case about solicitation of prostitution within the confines of Palm Beach County, Florida, we have asked ourselves why the Department of Justice is involved. Regrettably, we are unable to suggest any appropriate basis for the Department's involvement. Mr. Epstein has no criminal history whatsoever. Also, Mr. Epstein has never been the subject of general media interest until a few years ago, after it was widely perceived by the public that he was a close friend of former President Bill Clinton.

The conduct at issue is simply not within the purview of federal jurisdiction and lies outside the heartland of the three federal statutes that have been identified by prosecutors—18 U.S.C. §§ 1591, 2422(b), and 2423(b).

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1 One of the other members of Mr. Epstein's defense team, Jay Lefkowitz, has personally reviewed the reporter's contemporaneous notes.

2 Although some of the women alleged to be involved were 16 and 17 years of age, several of these women openly admitted to lying to Mr. Epstein about their age in their recent sworn statements.

These statutes are intended to target crimes of a truly national and international scope. Specifically, § 1591 was enacted to combat human trafficking, § 2422 is aimed at sexual predation of minors through the Internet, and § 2423 deals with sex tourism. The nature of these crimes results in multi-jurisdictional problems that state and local authorities cannot effectively confront on their own. However, Mr. Epstein's conduct was purely local in nature and, thus, does not implicate federal involvement. After researching every reported case brought under 18 U.S.C. §§ 1591, 2422(b), and 2423(b), we found that not a single case involves facts or a scenario similar to the situation at hand. Our review of each precedent reflects that there have been no reported prosecutions under § 1591 of a 'john' whose conduct with a minor lacked force, coercion, or fraud and who was not profiting from commercial sexual trafficking. There have likewise been no cases under § 2422(b)—a crime of communication—where there was no use of the Internet, and where the content of phone communications did not contain any inducing or enticing of a minor to have illegal sexual activity as expressly required by the language of the statute. Furthermore, the Government's contention that "routine and habit" can fill the factual and legal void created by the lack of evidence that such a communication ever occurred sets this case apart from every reported case brought under § 2422(b). Lastly, there are no reported cases of violations of § 2423(b) of a person whose dominant purpose in traveling was merely to go to his own home.[3]

Although these matters were within the scope of the CEOS review, rather than considering whether federal prosecution is appropriate, CEOS only determined that U.S. Attorney Acosta "would not be abusing his prosecutorial discretion should he authorize federal prosecution" in this case. The "abuse of discretion" standard constitutes an extremely low bar of evaluation and while it may be appropriate when the consideration of issues are exclusively factual in nature, this standard fails to address concerns particular to this situation, namely the "novel application" of federal statutes. The "abuse of discretion" standard in such pure legal matters of statutory application risks causing a lack of uniformity. The same federal statutes that would be stretched beyond their bounds in Miami have been limited to their heartland in each of the other federal districts. Also, because this case implicates broader issues of the administration of equal justice, federal prosecution in this matter risks the appearance of selectivity in its stretching of federal law to fit these facts.

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[3] Federal prosecution of a man who engaged in consensual conduct in his home that amounted to, at most, the solicitation of prostitution, is unprecedented. Since prostitution is fundamentally a state concern, (*see United States v. Evans*, 476 F.3d 1176, n.1 (11th Cir. 2007) (federal law "does not criminalize all acts of prostitution (a vice traditionally governed by state regulation)")), and there is no evidence that Palm Beach County authorities and Florida prosecutors cannot effectively prosecute and punish the conduct, there is no reason why this matter should be extracted from the hands of state prosecutors in Florida.

In fact, recent testimony of several alleged "victims" contradicts claims made by federal prosecutors during the negotiations of a deferred prosecution agreement. The consistent representations of key Government witnesses (such as Tatum Miller, Brittany Beale, Saige Gonzalez, and Jennifer Laduke) confirm the following critical points: *First*, there was no communication, telephonic or otherwise, that meets the requirements of § 2422(b). For instance, Ms. Gonzalez confirmed that Mr. Epstein never emailed, text-messaged, or used any facility of interstate commerce whatsoever, before or after her one (and only) visit to his home. Gonzalez Tr. (deposition) at 30. *Second*, the women who testified admitted that they lied to Mr. Epstein about their age in order to gain admittance into his home. Indeed, the women who brought their underage friends to Mr. Epstein testified that they would counsel their friends to lie about their ages as well. Ms. Miller stated the following: "I would tell my girlfriends just like Carolyn approached me. Make sure you tell him you're 18. Well, these girls that I brought, I know that they were 18 or 19 or 20. And the girls that I didn't know and I don't know if they were lying or not, I would say make sure that you tell him you're 18." Miller Tr. at 22. *Third*, there was no routine or habit of improper communication expressing an intent to transform a massage into an illegal sexual act. In fact, there was often no sexual activity at all during the massage. Ms. Miller testified that "[s]ometimes [Mr. Epstein] just wanted his feet massaged. Sometimes he just wanted a back massage." Miller Tr. at 19. Jennifer Laduke also stated that Mr. Epstein "never touched [her] physically" and that all she did was "massage[ ] his back, his chest and his thighs and that was it." Laduke Tr. at 12-13. *Finally*, there was no force, coercion, fraud, violence, drugs, or even alcohol present in connection with Mr. Epstein's encounters with these women. Ms. Beale stated that "[Mr. Epstein] never tried to force me to do anything." Beale Tr. A at 12. These accounts are far from the usual testimony in sex slavery, Internet stings and sex tourism cases previously brought. The women in actuality were not younger than 16, which is the age of consent in most of the 50 states, and the sex activity was irregular and in large part, consisted of solo self-pleasuring.

The recent crop of civil suits brought against Mr. Epstein confirm that the plaintiffs did not discuss any sexually-related activities with anyone prior to arriving at Mr. Epstein's residence. This reinforces our contention that no telephonic or Internet persuasion, inducement, enticement or coercion of a minor, or of any other individual, occurred. In addition, Mr. Jeffrey Herman, the former law partner of one of the federal prosecutors involved in this matter and the attorney for most of the civil complainants (as described in detail below), was quoted in the Palm Beach *Post* as saying that "it doesn't matter" that his clients lied about their ages and told Mr. Epstein that they were 18 or 19.

Not only is a federal prosecution of this matter unwarranted, but the irregularity of conduct by prosecutors and the unorthodox terms of the deferred prosecution agreement are beyond any reasonable interpretation of the scope of a prosecutor's responsibilities. The list of improprieties includes, but is not limited to, the following facts:

- Federal prosecutors made the unprecedented demand that Mr. Epstein pay a minimum of $150,000 per person to an unnamed list of women they referred to as minors and whom they insisted required representation by a guardian ad litem. Mr. Epstein's counsel later established that all but one of these individuals were actually adults, not minors. Even then, though demanding payment to the women, the USAO eventually asserted that it could not vouch for the veracity of any of the claims that these women might make.

- Federal prosecutors made the highly unusual demand that Mr. Epstein pay the fees of a civil attorney chosen by the prosecutors to represent these alleged "victims" should they choose to bring any civil litigation against him. They also proposed sending a notice to the alleged "victims," stating, in an underlined sentence, that should they choose their own attorney, Mr. Epstein would not be required to pay their fees. The prosecutors further demanded that Mr. Epstein waive his right to challenge any of the allegations made by these "victims."

- The Assistant U.S. Attorney involved in this matter recommended for the civil attorney, a highly lucrative position, an individual that we later discovered was closely and personally connected to the Assistant U.S. Attorney's own boyfriend.

- Federal prosecutors represented to Mr. Epstein's counsel that they had identified (and later rechecked and re-identified) several alleged "victims" of federal crimes that qualified for payment under 18 U.S.C. § 2255, a civil remedy designed to provide financial benefits to victims. Only through state discovery provisions did we later learn that many of the women on the rechecked "victim list" could not possibly qualify under § 2255. The reason is that they, themselves, testified that they did not suffer any type of harm whatsoever, a prerequisite for the civil recovery under § 2255. Moreover, these women stated that they did not, now or in the past, consider themselves to be victims.

- During the last few months, Mr. Herman, First Assistant Sloman's former law partner, has filed several civil lawsuits against Mr. Epstein on behalf of the alleged "victims." It is our understanding that each of Mr. Herman's clients are on the

Government's confidential "list of victims." Most of these lawsuits seek $50 million in money damages.[4]

- Assistant U.S. Attorney David Weinstein spoke about the case in great detail to Landon Thomas, a reporter with the *New York Times*, and revealed confidential information about the Government's allegations against Mr. Epstein. The Assistant U.S. Attorney also revealed the substance of confidential plea negotiations.

- When counsel for Mr. Epstein complained about the media leaks, First Assistant Sloman responded by asserting that "Mr. Thomas was given, pursuant to his request, non-case specific information concerning specific federal statutes." Based on Mr. Thomas' contemporaneous notes, that assertion appears to be false. For example, Mr. Weinstein told Mr. Thomas that federal authorities believed that Mr. Epstein had lured girls over the telephone and traveled in interstate commerce for the purpose of engaging in underage sex. He recounted to Mr. Thomas the USAO's theory of prosecution against Mr. Epstein, replete with an analysis of the key statutes being considered. Furthermore, after Mr. Epstein's defense team complained about the leak to the USAO, Mr. Weinstein, in Mr. Thomas' own description, then admonished him for talking to the defense, and getting him in trouble. Mr. Weinstein further told him not to believe the "spin" of Mr. Epstein's "high-priced attorneys," and then, according to Mr. Thomas, Mr. Weinstein forcefully "reminded" Mr. Thomas that all prior conversations were merely hypothetical.

We are constrained to conclude that the actions of federal officials in this case strike at the heart of one of the vitally important, enduring values in this country: the honest enforcement of federal law, free of political considerations and free of the taint of personal financial motivations on the part of federal prosecutors that, at a minimum, raise the appearance of serious impropriety.

We were told by U.S. Attorney Acosta that as part of the review he requested, the Department had the authority, and his consent, to make any determination it deemed appropriate regarding this matter, including a decision to decline federal prosecution. Yet, CEOS's only conclusion, based on its limited review of the investigation, is that U.S. Attorney Acosta would not abuse his discretion by proceeding against Mr. Epstein. Thus, the decision of whether

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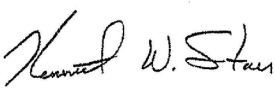
[4] As recently as two months ago, Mr. Sloman was still listed publicly as a part of his former law firm. While we assume this was an oversight, Mr. Sloman's identification as part of the firm raises the appearance of impropriety.

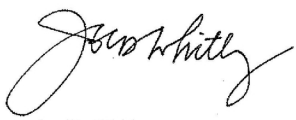
prosecution *is fair and appropriate* has been placed, once again, in U.S. Attorney Acosta's hands.

In light of the foregoing, we respectfully ask that you review this matter and discontinue all federal involvement so that the State can appropriately bring this matter to closure. We would greatly appreciate the opportunity to meet with you to discuss these important issues. Such a meeting would provide the Department with an opportunity to review the paramount issues of federalism and the appearance of selectivity that are generated by the unprecedented attempts to broaden the ambit of federal statutes to places that they have never before reached. We sincerely appreciate your attention to this matter.

Respectfully submitted,



Kenneth W. Starr
Kirkland & Ellis LLP



Joe D. Whitley
Alston & Bird LLP

From: Jeffrey Epstein [jeevacation@gmail.com]
Sent: 9/3/2009 11:18:47 AM
To: Sultan Bin Sulayem [redacted]
Subject: Re:

she is your second biggest fan... iam the first. i sell dubai, to its detractors.

On Thu, Sep 3, 2009 at 7:05 AM, Sultan Bin Sulayem <[redacted]> wrote:

An interesting piece to read before you start your weekend. Guest Post by Jim Krane: Dubai, Not Obama, is the Mideast's Best Peace Hope Tuesday, Sep 01 2009, 3:11PMThis is a guest note by Jim Krane, a former AP Persian Gulf correspondent. His new book on Dubai, City of Gold: Dubai and the Dream of Capitalism, is available.

As Americans, Israelis and Palestinians continue their endless peace-jockeying, a more hopeful solution has emerged. It is a fresh Arab initiative that depends neither on America nor Israel.

It is Dubai.

Dubai, you must know, is the flashy Gulf city-state that is one of the seven United Arab Emirates. In my book, I argue that Dubaians, descended from illiterate Bedouin who faced starvation in the 1940s, have authored the most exciting Arab accomplishment in 700 years.

>From nowhere, Dubai has mushroomed into a trading city-state on the lines of Hong Kong and Singapore, with sidelines in real estate and tourism.

Dubai accomplished all this without (much) oil, and without the help - or even recognition of the United States. While Washington has been caught up prolonging the Israel-Palestinian conflict and starting a war in Iraq, Dubai was erecting one of the world's most spectacular cities. So, how can Dubai fix the Middle East? It certainly can't do much to help Palestinians suffering under Israeli misrule.

But that is the point. Dubai has succeeded in spite of the plight of the Palestinians, and in spite of what Arab leaders describe as US meddling that stymies their development. One of the favorite themes of Dubai leader Sheikh Mohammed is that his counterparts should stop bloviating about the Israelis and start serving the interests of their own citizens.

Dubai's wild growth backs up Sheikh Mohammed's message. His business-before-politics way is becoming a development model for the rest of the Arab world.

But wait, Dubai is in financial trouble. How could it be a role model?Dubai's downturn is temporary. Being one of the world's most globalized cities, it couldn't help but be infected by a global recession. The contagion kneecapped each one of its economic pillars: Shipping, logistics, tourism, and its binging real estate sector. Most of these pillars remain sound.

Dubai's economic example isn't widely understood in Washington. But it's a good thing. Emulating Dubai could make Arab countries more stable and secure, along with the rest of us. For America, which has mistreated Dubai despite synergies with our interests, it's a windfall.

If you remember, Dubai in 2006 bought US port operations and found itself vilified as a terrorist logistics center. Members of Congress now in the Obama administration -- among them the senator who is now president -- joined the Dubai-bashing. Well, it may turn out that this "terrorist logistics center" has one of the keys for fixing the Mideast's terrorism problem.

The Dubai model is a mixture of social freedom, unbridled immigration, and raw capitalism. It is overseen by a government that is one of the world's least democratic. This is no accident. Dubai avoids both elections and the Arab obsession with politics, especially the syndrome of feeling slighted by the West.

Dubai is pragmatic. It makes money doing business with Israel and Iran, countries shunned by other Arab states. The city's finessing of simultaneous friendships with Washington and Tehran is as deft as it is precarious.

Dubai's government wrings efficiencies using schemes from Harvard Business School and General Electric. Its use of strategic planning is a new concept in the Middle East. Dubai conceives developments, like no-tax business parks, and builds them exactly as promised.

In contrast with the surrounding police states, Dubai functions on the honor system. Alcohol is legal. Prostitution is tolerated. A nice example is the e-Gate scheme, which allows residents to use a biometric card to skip passport control. None of the neighbors has the confidence to replace state security with a smart card. Not Saudi Arabia, not Iran, not Israel.

Saudis and Iranians, especially, find a refreshing dignity in Dubai, a respect for their ability to make the right choice. "Friday you can pray, but Thursday night you might want to go to the bar," says a Dubai-based Saudi. "It's up to you."Dubai is certainly taking risks. But rulers from Morocco to Iran are already Xeroxing parts of the Dubai playbook and waiting to see how the more controversial approaches pan out. For some, it's a matter of self-preservation: Dubai's state-led development doesn't involve elections. For others it's a bid to stop the hemorrhage of bright citizens and cash fleeing to Dubai.

All of them ought to do more. Egypt, with its unemployed masses, could make use of Dubai's incentives for foreign investment. Syria might adopt its free trade ways. Iraq and Israel could use a dose of its religious tolerance. And its Gulf neighbors might streamline their bureaucracies as Dubai has.

Of course, there are areas where neighbors emulate Dubai to their detriment. Dubai's abusive "in-sourced" labor market is one. Real estate is another. One hopes Dubai's property crash taught admirers what not to copy. And Dubai pays no heed to the environment. Thus Dubaians, with their monster 4x4s and chilled swimming pools, are the world's most prolific polluters.

But overall, Dubai's self-help mentality is the best hope for dragging this stagnant region into the global economic mainstream, with the accompanying stability and peace it implies. It's time Washington took notice.-- Jim Kranehttp://www.thewashingtonnote.com/archives/2009/09/guest_post_by_j_12/

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destroy this communication and all copies thereof,
including all attachments.

Source Entry: H\Macintosh HD\root\Users\jee\Library\Messages\Archive\2018-06-22\[redacted] on 2018-06-22 at 09.32.55.ichat

Service: iMessage

Start Time: 06/22/18 06:32:55 AM (551367175)

End Time: 06/22/18 12:55:50 PM (551390150)

Last Message ID: 16639

Chat Room:

Participants: jee, [redacted]

Presentity IDs: e:jeeitunes@gmail.com,[redacted]

Messages -

Sender: [redacted]

Time: 06/22/18 06:32:55 AM (551367175)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 8492FE8F-F97D-42DC-A73C-D43663112AD3

Message: Who is running this op on u --- something serious going on

Sender: e:jeeitunes@gmail.com

Time: 06/22/18 06:35:19 AM (551367319)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 64320A72-F285-4AC9-80E9-8D86E13B170D

Message: First a protest at Clinton and then at trump. Lots of people very angry at our friendship.

Sender: [redacted]

Time: 06/22/18 06:36:50 AM (551367410)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E16E2614-1351-44FB-97F9-7F7522C1B550

Message: It's an op dude-- I do this for a living -- the pieces that are dropping are deeply researched

Sender: [redacted]

Time: 06/22/18 06:37:01 AM (551367421)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: F08F0CFA-FC49-4B2D-9A7F-EAADC7BE3A27

Message: This is sophisticated op

Sender: e:jeeitunes@gmail.com

Time: 06/22/18 06:38:50 AM (551367530)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E3B2CDFD-82AF-4E0A-8B6E-888144FA3E17

Message: Add to it , I was in an office building before I left and mooch got in. I never met him . Never! he asked that I step out and began I tirade about you . And why would I have anything to do . Blah blah. . odd

Sender: e:jeeitunes@gmail.com

Time: 06/22/18 06:39:27 AM (551367567)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E3B5FDAF-D9DD-46CE-8B09-D3ADD968A6CA

Message: More fun note, miro is here. , lots to talk about

Sender: e:jeeitunes@gmail.com

Time: 06/22/18 06:40:25 AM (551367625)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: EA03AE10-64A3-49D2-9E80-91AA5C96EB20

Message: My hula skirt. Is wilting having to dance and ride the bike for pols

Sender: e:jeeitunes@gmail.com

Time: 06/22/18 06:41:34 AM (551367694)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8CFBB46C-C5BA-46F3-B26F-CE80E1DF8FDC

Message: I hope you didn't also make the pope my nemesis □

Sender: [redacted]

Time: 06/22/18 06:43:01 AM (551367781)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: BD2B42C2-F6A5-427F-A3C6-8008332D0C19

Message: I did : fuck it : like the last scene in 'the wild bunch'

Sender: e:jeeitunes@gmail.com

Time: 06/22/18 06:43:17 AM (551367797)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: BCD0CDBD-1377-4E43-9ECA-E336296B0CC0

Message: Any suggestions. ?

Sender: e:jeeitunes@gmail.com

Time: 06/22/18 06:43:32 AM (551367812)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 4C96C199-E138-4F32-A285-928B8D2D94FD

Message: Love that scene

Sender: e:jeeitunes@gmail.com

Time: 06/22/18 06:45:48 AM (551367948)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 163F37B5-F636-4E93-975B-D8555F43F06F

Message: chat?

Sender: [redacted]

Time: 06/22/18 06:47:21 AM (551368041)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 8DAD8DDA-E9F1-416D-87F9-E3D302C86631

Message: Yes

Sender: [redacted]

Time: 06/22/18 06:49:22 AM (551368162)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: ED50744C-AB68-4BDF-8793-61CFF770408E

Message: Give me a #

Sender: e:jeeitunes@gmail.com

Time: 06/22/18 06:49:39 AM (551368179)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 45E5FC4B-C855-48BD-ADD2-413D39E9E690

Message: cell 212 533 3739

Sender: e:jeeitunes@gmail.com

Time: 06/22/18 06:59:37 AM (551368777)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 405433A0-0CD5-4369-BCB5-F418DABCB8F7

Message: Call now

Sender: [redacted]

Time: 06/22/18 07:00:55 AM (551368855)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 6542B11E-5D3D-45B7-8D12-DB85BA7D0729

Message: Called

Sender: e:jeeitunes@gmail.com

Time: 06/22/18 10:55:04 AM (551382904)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8296CB01-0181-42FB-9BA7-855A70E650E4

Message: Ken starr in ny for weekend- let me know if interested

Sender: [redacted]

Time: 06/22/18 10:59:11 AM (551383151)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 97F7FE89-18BE-49D4-A87A-B66135BCF849

Message: Very

Sender: e:jeeitunes@gmail.com

Time: 06/22/18 10:59:39 AM (551383179)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 77B0F65F-E532-46FF-8DF9-C69723730FE3

Message: Ill put your u in touch

Sender: [redacted]

Time: 06/22/18 11:02:00 AM (551383320)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: F284DF7C-6E8D-4146-9059-8AA6E775F623

Message: Thanks

Sender: e:jeeitunes@gmail.com

Time: 06/22/18 11:18:06 AM (551384286)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E25A11BA-1BDD-4987-BD25-0386AF5517CE

Message: Miro has some questions for you . If you have 5 minutes call my cell

Sender: e:jeeitunes@gmail.com

Time: 06/22/18 12:14:59 PM (551387699)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8E9E7F78-FA90-4554-A9BA-7E4B8382B8A5

Message: ?

Sender: e:jeeitunes@gmail.com

Time: 06/22/18 12:55:50 PM (551390150)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 6AEA38C6-ACFD-4A0A-84BB-2200C3111A21

Message: 1 (646) 421-0715

Source Entry: H\Macintosh HD\root\Users\jee\Library\Messages\Archive\2018-09-14\[redacted] on 2018-09-07 at 07.11.13.ichat

Service: iMessage

Start Time: 09/07/18 04:11:13 AM (558011473)

End Time: 09/14/18 07:45:23 PM (558672323)

Last Message ID: 20420

Chat Room:

Participants: jee, [redacted]

Presentity IDs: e:jeeitunes@gmail.com, [redacted]

Messages -

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 04:11:13 AM (558011473)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E576AED1-6207-4EB4-B7AD-199D8A74140D

Message: I liked the economist description of the movie as a victory lap . funny

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 06:36:09 AM (558020169)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 91486C12-7D7F-49AB-B83B-C2F9EEAF53E6

Message: Some of my middle eastern guys think you are behind it

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 06:36:14 AM (558020174)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: DFA26DD0-BB26-45BF-8A2F-A27F5448376D

Message: :)

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 08:40:19 AM (558027619)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: FB31E417-131C-4158-84D4-15D5D6CA34B3

Message: https://www.thecut.com/2018/09/i-refused-to-write-bannons-bio-for-the-new-yorker-festival.html

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 03:52:08 PM (558053528)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8772D3CC-0A8F-41F1-981C-3D8E260CCBA7

Message: When ny

Sender: [redacted]

Time: 09/07/18 04:05:56 PM (558054356)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 1B94BBE7-3C83-4DFB-B273-F23345D2B07D

Message: Rome thru Sunday --- trying to figure out dc or NYC on Sunday

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 04:15:02 PM (558054902)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: AB75B66E-6FC6-4422-9418-EAF948765C5D

Message: K

Sender: [redacted]

Time: 09/07/18 04:40:37 PM (558056437)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 205ADC51-0D70-49AB-B418-F115071EAB3B

Message: When r u heading back

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 04:49:51 PM (558056991)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 0C1DB0AE-DAEB-4D17-8B9D-2A1BE42EC14B

Message: Not sure, will know more tomorrow

Sender: [redacted]

Time: 09/07/18 04:52:04 PM (558057124)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 77DF808E-A107-45B7-8E04-D74F7418A077

Message: K

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 04:55:25 PM (558057325)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 02DD67B6-4DA7-4946-9D89-6A8CA30C7214

Message: Im trying to organize a trip for the pope to the Middle East. A first

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 04:56:02 PM (558057362)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 73C1FE4D-8A24-4B75-974D-3AE4817DA607

Message: Headline - tolerance

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 04:56:05 PM (558057365)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 30BDADF8-9E9B-4F18-A7E2-D5262006F254

Message: Fun

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 04:56:22 PM (558057382)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 0FE88114-2AA1-4717-ACD4-EE4A639CE4D2

Message: Talk tomorrow

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 05:00:08 PM (558057608)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3655CEA1-1041-4BFB-9B1C-51595298D077

Message: Btw Chomsky invited u to Arizona

Sender: [redacted]

Time: 09/07/18 05:01:32 PM (558057692)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 83F8F24C-EB5A-4691-9C7C-9037FB831E6A

Message: Did u see what just popped on the NYT???

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 05:05:12 PM (558057912)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 49BA1A1D-16F9-476A-A665-4D63BFB74646

Message: No , what?

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 05:06:42 PM (558058002)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 24E46D1F-AB27-4184-85A4-1C343E619BED

Message: Salvini?

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 05:06:58 PM (558058018)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 758E206A-3FAA-4313-BB94-5C44C07565CD

Message: Or jack ma retiring

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 05:07:02 PM (558058022)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2913F11F-6F40-428D-8782-77D06DC12BF9

Message: ;)

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 05:12:06 PM (558058326)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: B2C88BAF-DFE1-435C-B670-FE986ADC68E1

Message: Great work

Sender: [redacted]

Time: 09/07/18 05:12:38 PM (558058358)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 0F80261C-58E4-47DD-984E-D420C68F2F20

Message: I can feel this turning now

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 05:13:14 PM (558058394)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 6DE67AE5-EEBE-4097-9F0A-6F25543AF7B6

Message: Hopefully you are sitting on salvinis lap

Sender: [redacted]

Time: 09/07/18 05:15:50 PM (558058550)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: FEDF92FB-F17E-4BDD-99C4-4574AA68561D

Message: Vice versa

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 05:16:02 PM (558058562)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 9E1D2313-A177-471A-AC43-C84C5FD61649

Message: Lol

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 05:16:25 PM (558058585)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: CFC1D6E9-E309-4B39-9350-A8F8A3B7F43B

Message: But he is unaware

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 05:21:51 PM (558058911)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: B9E42139-401E-4E5C-A961-A16AEC7CB854

Message: Ahhh the power of dark

Sender: e:jeeitunes@gmail.com

Time: 09/07/18 09:29:39 PM (558073779)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2DD2080E-DCD6-454A-AFAA-C4A1855B38A7

Message: If you guys want to come to paris I'll send plane

Sender: [redacted]

Time: 09/08/18 01:32:52 AM (558088372)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E691FDD1-D988-4160-AD92-CA9881FEB07E

Message: When r u headed back to states?

Sender: e:jeeitunes@gmail.com

Time: 09/08/18 03:10:07 AM (558094207)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 8A00A35C-49F5-4763-8306-65C6EE610CBA

Message: It changed 4 times since yesterday. Wild . So many interesting things. Im trying not to flock shoot! I wont leave before Wednesday but will need to return here soon. Probably New York Friday. Call to catch up? Pivoted wisely! Atta-boy

Sender: [redacted]

Time: 09/08/18 03:24:55 AM (558095095)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 6E67BE85-902E-4E53-ABB8-9B998DF29A6B

Message: Yes: in meetings in Rome right now

Sender: e:jeeitunes@gmail.com

Time: 09/08/18 03:46:12 AM (558096372)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 9DB0AA2E-7D90-4705-A7A9-AD96E559D0C5

Message: No rush, I just want you to be surgically pure re registrations disclosures etc. As you move into more institutional International arrangements. . the tension between 501 c4 opaque , and fara transparency needs bright light focus. No stepping on your dick allowed.

Sender: e:jeeitunes@gmail.com

Time: 09/08/18 03:57:13 AM (558097033)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E56F4A49-9EC4-4B8F-9A12-70EE53775309

Message: And I would suggest you not

Sender: e:jeeitunes@gmail.com

Time: 09/08/18 03:58:04 AM (558097084)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 4FE40CD2-C7A2-4FDB-9ED6-FC44A598423B

Message: Merely take advice but have someone on your behalf request fara opinions. And sooner rather than later.

Sender: e:jeeitunes@gmail.com

Time: 09/08/18 04:05:58 AM (558097558)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 317293D9-EFF8-4B4B-9BBF-812B764DB678

Message: Some of fara - "quasi political " affiliations. Kick in after 10 days of formation

Sender: e:jeeitunes@gmail.com

Time: 09/08/18 05:27:36 AM (558102456)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 93171AF0-DA39-4BD1-922A-3B0806F1D1D4

Message: Your girlfriend agrees with my assessment. Fara written soooo broadly .

Sender: e:jeeitunes@gmail.com

Time: 09/08/18 09:39:44 AM (558117584)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: FAA784D3-6059-4068-A927-61AEEFB4433D

Message: Im back in an hr.

Sender: e:jeeitunes@gmail.com

Time: 09/08/18 12:16:55 PM (558127015)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8B07E749-7E07-4D7F-98A0-27FF364AD8A0

Message: Back

Sender: [redacted]

Time: 09/08/18 05:40:37 PM (558146437)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: DDD169EA-7CB9-43FC-B098-41ACA4A0FE3A

Message: If u r still up let me know

Sender: e:jeeitunes@gmail.com

Time: 09/08/18 06:26:25 PM (558149185)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: DE4BAFD0-B0E5-4685-94DE-4AF94A3B5350

Message: Awake?

Sender: e:jeeitunes@gmail.com

Time: 09/08/18 06:27:08 PM (558149228)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 37884594-B2F3-42CD-A002-443FFFCC4D67

Message: What time do you leave

Sender: [redacted]

Time: 09/08/18 06:30:01 PM (558149401)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: B3D24FF7-295A-4487-8575-7847347D8BBD

Message: 10 am I think

Sender: [redacted]

Time: 09/08/18 06:30:05 PM (558149405)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 5E612119-9B1B-4DF2-8112-87E55DBB4559

Message: Yes awaken

Sender: e:jeeitunes@gmail.com

Time: 09/08/18 06:50:26 PM (558150626)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5DAC69DF-CB0D-4BDF-9BBD-D9FC8638D4E9

Message: Safe travel

Sender: e:jeeitunes@gmail.com

Time: 09/08/18 07:01:11 PM (558151271)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8C83027D-6F93-4447-B5B3-D41F401F3A20

Message: 1. In case of the removal of the President from office or of his death or resignation, the Vice President shall become President. 2. Whenever there is a vacancy in the office of the Vice President, the President shall nominate a Vice President who shall take office upon confirmation by a majority vote of both Houses of Congress.

Sender: e:jeeitunes@gmail.com

Time: 09/08/18 07:19:47 PM (558152387)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D5196D59-B4C6-4707-A01B-681C35B411D5

Message: Photo-Obama water skiing with Branson will drive both sides nuts

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 03:11:00 AM (558180660)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 108A5550-04DA-484E-BED5-C9444550B3B0

Message: Obama made his money on the backs of his people. . they won't like that

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 03:11:37 AM (558180697)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: FAB3159B-942C-4DAF-90E0-F1EFF636DE40

Message: If you are right re November and I think you are , knowing the end is near and being in lame duck will be wild.

Sender: [redacted]

Time: 09/09/18 03:12:10 AM (558180730)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 22798016-0448-4021-9174-FF02A6BE5168

Message: Dangerous -- that's why they won't let it go on long -- pre negotiation

Sender: [redacted]

Time: 09/09/18 03:12:22 AM (558180742)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 4D89AB90-4F64-4753-9EE7-85D535E38337

Message: What do u mean about obama ???

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 03:14:43 AM (558180883)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8EAB82D9-A70C-4DC3-B887-1AD9367C02DE

Message: He is now rich and water skiing with the white guys. I would be showing that image over and over , The blacks feel betrayed. Trump made his money in biz . Obama as a result of representing them, the poor blacks. They hate that. As soon as he leaves office Obama is hanging with he rich.

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 03:14:46 AM (558180886)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: BA96E5F9-E290-47D9-9C98-3EF5F8B33931

Message: the

Sender: [redacted]

Time: 09/09/18 03:16:14 AM (558180974)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 16BB5B6D-C2E6-43AD-86A3-16506DAC3759

Message: You are getting pretty good @ this 'grasshopper'

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 03:16:24 AM (558180984)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3D0ACE28-510E-4A4B-A520-909F849F8105

Message: <Unsupported Message Content>

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 03:16:36 AM (558180996)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3FB05EC3-DFBF-4E80-AB03-AFD155DA3F7B

Message: Wipe on wipe off

Sender: [redacted]

Time: 09/09/18 03:17:50 AM (558181070)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 582BEA98-7B6E-416F-A3E1-E060E40DB50C

Message: Never been a branson fan

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 03:19:38 AM (558181178)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 4EB25D9B-13AC-4C60-A2DA-8934048D8AF9

Message: The Obama family came from humble beginning, but now the ex-president and first lady are worth about $40 million-30 times more than when they entered the White House in 2008, the Business Insider reported.

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 03:19:55 AM (558181195)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3F3DE52D-570D-4164-BB71-11A8C7906284

Message: Etc

Sender: [redacted]

Time: 09/09/18 03:20:14 AM (558181214)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 47630BD7-FFCF-48F0-AADE-862597A7C1DC

Message: Crony Capitalism

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 03:21:21 AM (558181281)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 1AF2D588-5203-454F-8451-AD4E3E94C3E6

Message: My favorite. . however . He didn't go back and help his city of Chicago. Or his people. He vacationed with whites over and over .

Sender: [redacted]

Time: 09/09/18 03:21:51 AM (558181311)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 67EB7D00-B482-48D3-B932-2DE7CD8A3965

Message: While murder rate jumped

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 03:22:03 AM (558181323)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3C3A8F6E-14B8-4E15-A2E2-FF217FC97890

Message: Atta boy, now with gusto

Sender: [redacted]

Time: 09/09/18 03:22:03 AM (558181323)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: CB13EDC0-B680-4CE1-B6CD-E8CD1D78D3CD

Message: City should have martial law

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 03:23:10 AM (558181390)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 696DDE13-391F-4A5D-A528-F99421F3E9FB

Message: Trump stays with his team and never looks down on them Obama. Tried to be white . Have fun. Are you on the plane

Sender: [redacted]

Time: 09/09/18 03:30:50 AM (558181850)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 082A986C-3E22-4B4B-8BAC-D3F68016ED5A

Message: On plane-- land in NYC around 5

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 03:31:23 AM (558181883)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D10C4A83-382D-4C0B-8289-1C717A3C70EF

Message: 1. Kathy for lunch after economist. Sat . 2 thorborn Jagland. Head of council of Europe will give you a country by country summary on the 23 rd if you like .

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 03:32:28 AM (558181948)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 682C2B8F-FF38-4549-96FB-8FF181938071

Message: 5? Europe or 5 ny?

Sender: [redacted]

Time: 09/09/18 03:32:33 AM (558181953)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 6B772141-EBE9-4474-84C8-A8BFA973CCBC

Message: Excellent

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 03:52:13 AM (558183133)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 06564620-68DD-4994-85BD-A988F512E1DF

Message: György Schwartz. real name of George Soros . Was careful not to register under fara. NGOs were carefully structured. - My reading is that you can form a media co. and make that the umbrella exemption

Sender: [redacted]

Time: 09/09/18 03:52:51 AM (558183171)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 0D7860C0-1F62-4D40-B640-966418D33DAE

Message: On it

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 03:53:56 AM (558183236)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D29B249B-B80B-4147-964F-652BE67E938F

Message: The media co. has lots of advantages. Source privilege etc

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 07:32:48 AM (558196368)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 04FF7173-DE92-4FB2-A63C-40A44E65498D

Message: Coup. Pottinger? His whole family are rats

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 08:47:55 AM (558200875)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0CB486A1-02FD-45A0-8FC4-CFBED265655E

Message: His brother Stan would have written it

Sender: [redacted]

Time: 09/09/18 10:41:17 AM (558207677)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 62A7F8BC-B3BE-40FC-B566-C5E81AB95E2A

Message: Pottingers family not good???

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 10:56:57 AM (558208617)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: BDC4B290-470B-4C35-857C-66124D46BF6B

Message: Rotten

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 10:57:20 AM (558208640)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8047D449-3676-4FF8-84F5-2C9E5F663A24

Message: David boies partner

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 11:09:41 AM (558209381)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 95CE61EE-DC7E-4780-A711-8057EE5D6A7D

Message: And writer would use a legal or family cutout.

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 11:10:19 AM (558209419)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D5554304-C60C-49C4-AB43-4385575FC6CD

Message: So they could answer. I didn't write it

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 11:10:42 AM (558209442)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 98AFDD1C-6C61-4F15-884A-08EB47CFABD5

Message: Without committing perjury

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 11:12:42 AM (558209562)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 84638D52-E4A2-41FF-8967-1F9B7728A5BF

Message: And you would have to have prepared a serious defense strategy . Powerful legal advice etc .

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 11:23:06 AM (558210186)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 30B6FD0C-7367-4E0E-B509-AE6232C47016

Message: Not to put too much emphasis. But they say they relied on the trusted intermediary. ? you wouldn't have to do that if you met the official? It says the author not the person ? And testimony . □

Sender: [redacted]

Time: 09/09/18 11:36:27 AM (558210987)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 4F10F1CC-5D26-421D-B196-E18D4C228638

Message: ???

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 11:36:54 AM (558211014)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 725E2EC9-97FF-4BFF-A2DD-09389711FE6D

Message: The editor of the times. Did not meet the author

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 11:37:26 AM (558211046)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: A40241F2-FD62-4989-A1BB-CAADD1FA77E0

Message: I sent you the editor quote

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 11:38:06 AM (558211086)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 089286EC-31CD-4260-916D-9E2FEED52571

Message: Sorry. Did not meet the " official"

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 11:38:46 AM (558211126)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0D14C4E1-4B81-4E2C-80F1-604D8DBAA778

Message: Otherwise they wouldn't need testimony of a trusted imtermeidiary to vett

Sender: [redacted]

Time: 09/09/18 11:39:28 AM (558211168)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 3D42B8BC-D462-4CBA-BBF6-A24930E4B28F

Message: Incredible they didn't meet!!!

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 11:39:56 AM (558211196)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 1BF56381-2BA1-4F84-8226-D05DF36848CF

Message: Exactly. Read the quote I sent you from the editor

Sender: [redacted]

Time: 09/09/18 11:40:36 AM (558211236)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 8AC5C079-507B-40DE-B8B2-ACA4D49E8806

Message: Didn't come thru

Sender: [redacted]

Time: 09/09/18 11:40:49 AM (558211249)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: D1D5D8A1-8C9C-43B6-BE65-EDA821AF2FC3

Message: How was Woodward on tv ???

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 11:42:19 AM (558211339)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 13A05E0A-3799-4126-80C2-FD3A7559C59C

Message: Just emailed it again

Sender: [redacted]

Time: 09/09/18 11:42:39 AM (558211359)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 75D275F2-9C13-4F24-B6B1-5B1907EAAC8F

Message: How was woodward

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 11:43:55 AM (558211435)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 97E3AA3A-86E9-4334-96F3-BF988CC74213

Message: Well done. Especially when he says. Donald doesn't remember

Sender: [redacted]

Time: 09/09/18 12:02:30 PM (558212550)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 088295C1-5CB6-4934-9618-BB03DAAB9462

Message: Donald doesn't remember ???

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 12:04:29 PM (558212669)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: AAFAACF6-34AD-45E7-9856-8F9DA6DD4AF8

Message: They also say the editors " know who it is" . Misleading at best

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 12:05:48 PM (558212748)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E9CEA79B-7CBB-4C81-9EAA-47403AE30A14

Message: How do they know ? Trusted intermediary ? It also says direct communication with the author?? If the author is the official . What does direct communication mean.

Sender: [redacted]

Time: 09/09/18 12:10:09 PM (558213009)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 13088BBA-413D-4DDC-8A29-256D2AD9040C

Message: Very unprofessional

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 12:54:29 PM (558215669)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 1A4CA197-5FB6-47B5-B261-8F80C7E75DF0

Message: What type of background would they have to do if it were either a top person. Or if the sourcing was perfect. . odd

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 12:57:37 PM (558215857)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D7FF4F65-4920-44F4-9427-78D44A86D8CE

Message: Sweden democrats. Fun

Sender: [redacted]

Time: 09/09/18 12:58:16 PM (558215896)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 82A15F04-80FF-4210-9E15-D5BB3BE2A0FB

Message: Need to get to 20 for psychological impact

Sender: e:jeeitunes@gmail.com

Time: 09/09/18 12:58:53 PM (558215933)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 57A373B3-3141-453E-B5E7-6347A634F331

Message: K

Sender: e:jeeitunes@gmail.com

Time: 09/10/18 01:20:00 PM (558303600)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: C4156AF3-2826-4FB4-9D46-7BDC09CDE2BE

Message: Not sure when you arrive New York. Ken Starr in fri night

Sender: [redacted]

Time: 09/11/18 03:50:23 AM (558355823)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 74E65621-48F8-482E-9BCB-90C2B49641D4

Message: Friday night will work if I get out of here early

Sender: e:jeeitunes@gmail.com

Time: 09/11/18 03:51:22 AM (558355882)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 911F0194-38F2-4E5C-B878-52911AFFE46C

Message: Ok, should be a full week for you. . otherwise rummler. Set for sat lunch.

Sender: e:jeeitunes@gmail.com

Time: 09/11/18 03:51:49 AM (558355909)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D6FA35A8-2BEB-4C04-B0AA-B5F818346E20

Message: Should I have miro as well?

Sender: [redacted]

Time: 09/11/18 03:52:53 AM (558355973)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 73015045-9583-4C8C-9187-F8615247EC3E

Message: Sure

Sender: e:jeeitunes@gmail.com

Time: 09/12/18 06:05:24 AM (558450324)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: E110E8C0-BC0E-450A-A9AD-A37DDF531FFF

Message: Movie tonight?

Sender: [redacted]

Time: 09/12/18 09:00:01 AM (558460801)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: A06D08F0-BAF8-4D15-9A3E-EAB971E6ABB7

Message: Yes

Sender: e:jeeitunes@gmail.com

Time: 09/12/18 09:06:34 AM (558461194)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 43E7428D-8F9C-48FD-9B1A-B3BCFDE6B05B

Message: I did like the comment that Woodward was your stenographer. I laughed out loud

Sender: [redacted]

Time: 09/12/18 09:13:40 AM (558461620)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: C1E188E1-3FBD-4D36-A1C3-76F81F3BD9CD

Message: Their stenographer

Sender: e:jeeitunes@gmail.com

Time: 09/12/18 09:16:39 AM (558461799)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8DF624A8-743B-45E0-9EAF-E846542D6D84

Message: Christie Blasts Woodward As 'Stenographer' For Steve Bannon. . your plan is working well. My french govt guys said it is a shame that some if this has real world consequences. - otherwise the performances are fantastic

Sender: e:jeeitunes@gmail.com

Time: 09/12/18 09:19:56 AM (558461996)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 1883A81F-81C3-47F1-9667-C8F6082B4D32

Message: They also were adamant and agreed with you , that China for the very first time is following an imperialistic strategy, well thought through. Covered in nice " silk" . And lamented the moment that Total , the French oil co , was forced to leave Iran . China was there within the week .

Sender: [redacted]

Time: 09/12/18 09:53:45 AM (558464025)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: A85979DB-A8D5-44E1-9F7E-804C25919520

Message: Yep : but that will all be reversed when regime falls

Sender: e:jeeitunes@gmail.com

Time: 09/13/18 06:20:13 AM (558537613)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: DD529C7F-E52F-447A-839C-D56732F8FF2B

Message: Good luck tomorrow

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 01:57:11 AM (558608231)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 935FD7F7-F844-4041-8300-60A381E3C75A

Message: when questioned i never look at anyone directly, i focus above their heads
, it takes the emotion out

Sender: [redacted]

Time: 09/14/18 03:42:20 AM (558614540)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: CA6C08F6-76E0-470A-8C9B-6ED700380595

Message: Called off

Sender: [redacted]

Time: 09/14/18 03:42:35 AM (558614555)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 6D8B88FC-16B5-4526-906B-7D9C4B4A40E9

Message: For another day

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 03:42:56 AM (558614576)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C7999B38-0425-4504-84D1-3566C85AD6E4

Message: sweet

Sender: [redacted]

Time: 09/14/18 03:43:13 AM (558614593)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 5D39B440-8AF8-4B2E-AA0F-FF6ECE7B7E7A

Message: We heard it's because manafort AND Cohen are taking up there time

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 03:43:19 AM (558614599)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 424E007E-2E8E-4FCD-B05A-73D03704F6C6

Message: Im in New York lots to discuss

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 03:43:39 AM (558614619)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D82A0720-5FCB-4927-9333-313B5B59C8E1

Message: is donald doing your spelling

Sender: [redacted]

Time: 09/14/18 03:43:43 AM (558614623)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 2BC42D8A-E416-4A2B-9D0A-93D2EFF5E8CC

Message: Yes-- this afternoon ?

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 03:43:54 AM (558614634)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 7B18987B-5211-4316-BB07-3B1112564368

Message: perfect

Sender: [redacted]

Time: 09/14/18 03:44:04 AM (558614644)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 6EFFC6C0-513F-4799-ADC0-F1E03936E4CB

Message: Very stable speller

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 04:00:34 AM (558615634)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 98159ACD-9BE4-4D8C-B2DF-40C61C5C8F72

Message: look at china moving into venezuela. brilliant move

Sender: [redacted]

Time: 09/14/18 04:00:48 AM (558615648)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 32B77762-A150-4C50-8CF6-98CB0BD5602E

Message: Yes

Sender: [redacted]

Time: 09/14/18 04:01:22 AM (558615682)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 4DD03B04-0344-4787-BFEA-DDA0B7C0766E

Message: What would be the three major points you make to the economist event tomorrow ???

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 04:02:02 AM (558615722)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D4B8E57C-1147-44CD-A16B-EA31A32C41D1

Message: they get oil , geographic choke point. spread down to argentina and establlsh. foothold .

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 04:03:31 AM (558615811)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C2AC39C0-2D44-465A-88E5-44601F5110BD

Message: let me think, 1 . I would think that the world got to vote on the trump presidency. and it votes by buying dollars . look at lira. venezuela brazil. india. europe. the world voted and the Us is way ahead. all the worry about tariffs, trade etc are reflected in the strength of the dollar.

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 04:05:29 AM (558615929)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2C09784D-EFD4-4C03-B40D-8648633B3978

Message: 2. all the talk about lower tax revenues misses the point . it is about the country's cash flow not internally generated revenue . billions of dollars came back from europe. , and into our system it is not reflected in tax revenue numbers. ex , if apple brings back 100 billion dollars and invests it , it does not show in treasury tax revenue figure

Sender: [redacted]

Time: 09/14/18 04:06:33 AM (558615993)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E8E9233F-C3CB-4AB7-B568-86C33028B229

Message: Brilliant brilliant brilliant -- help me develop that argument on 10th anniversary of Lehman

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 04:15:28 AM (558616528)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F863F09F-BC9F-4643-8202-2284FA290AE1

Message: in addition , wage rise AFTER unemployment goes down. NOT before. ! trump first put the most disadvantaged the UNEMPLOYED first. . and with great success. can you imagine the attacks if wages went up , but the blacks and hispanics were still without work. He needs to be given TIME . the first play has worked. he believes in a winning game strategy, you can't judge it because he hasn't scored a touchdown from way in his own backfield. (ball given to him by obama on his own 10 yard line) he has moved the ball way up the field. and the dems can see the touchdown coming. yes there have been some fumbles along the way, no question. and some have been taken off the field. but the horror and the dems faces is they see the team has progressed in spite of all the yellow flags and cries of foul. There (sic) defense is maxine waters and nancy pelosi) donalds offense is pompeo mattis and kelly. they don't have to like the quarterback they just have to win,

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 04:18:23 AM (558616703)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D7FBFB6E-0945-44B2-BE55-B219B4985868

Message: Lehman was caused by pelosi. because she is a true dope. she wanted a change in accounting , because she conflated her checking account with that of a govt. . a longer story . - i will go through the prime trading partners and their currency decline since you guys took office. . makes for quite a chart

Sender: [redacted]

Time: 09/14/18 04:19:50 AM (558616790)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 08A467FB-A04B-4427-826A-65668A0E8457

Message: Can u meet later today?

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 04:20:10 AM (558616810)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8CB6748B-08C5-4950-B675-2725415E6EB9

Message: at your convenience . yes

Sender: [redacted]

Time: 09/14/18 04:22:15 AM (558616935)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E7D8DEE2-BD6F-4257-8423-E32398A7F14E

Message: Late around 6???

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 04:26:20 AM (558617180)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8AEE0F4A-DB49-4AFD-995D-CAD348CA9588

Message: done see you then\

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 04:42:38 AM (558618158)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: DB00464D-21E7-4C3B-BB44-560D321E6108

Message: the football analogy , helps with the anonymous op ed. imagine if a team member thought they would work against tom brady strategy. fans would go crazy. . and like a football team they call each other dumbfuck in the locker room but pull together on the field

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 04:44:33 AM (558618273)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 7824E779-42FF-4940-B732-7D22D37DC3B5

Message: however ill stick to economic advice. you might also point out that saudi sovereign wealth fund needed to borrow money. !!. they mistakenly and childishly think that the fact that they can borrow 10 billion dollars at not a very good rate showed strength. but in fact, like their fade in the tesla mess , illustrates they have no cash. . I think masa is japanese's for madoff

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 05:00:46 AM (558619246)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E1C4310B-FFD9-4F19-A312-EAE01D5E351A

Message: Saudi Arabia set to enter the Guinness Book of Records with the display of the largest number of fireworks and unfurling of the largest national flag to mark the celebrations of the 88thNational Day. this is the mentality of other countries

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 05:26:12 AM (558620772)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: E66EDCD9-CEB8-4FF9-B056-BBCE2DC8F5DF

Message: the other two areas. 1. dems scream trump deregulating where mnuchin has instituted the stricter KYC rules in history. The U S leads. how many working class americans would put their money in Switzerland today where the banks charge YOU . 75 basis points to keep it there. so many bad actors. 2, crypto needs to be thought of similar to the internet. intl agreements . coordinated understandings . otherwise it is a ponzi scheme outside of the law

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 02:17:47 PM (558652667)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 7BA38611-4990-4482-A032-90DFA1640991

Message: ETA?

Sender: [redacted]

Time: 09/14/18 02:24:59 PM (558653099)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 1939891C-DAD7-41BE-90FF-074321E6BBFD

Message: Filming interview for Italian tv

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 02:27:50 PM (558653270)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 6921BFA9-99F4-4376-97E0-A061A16CB30D

Message: Good. Later or breakfast?

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 02:30:39 PM (558653439)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 6969FFCA-5296-441E-9E81-E740A4EE2023

Message: Im easy . Reminder Ruemmler for lunch tomorrow if you like.

Sender: [redacted]

Time: 09/14/18 02:30:51 PM (558653451)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 12718A22-582D-4ABB-A3B2-D88706ABE58A

Message: Later if that works for u

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 02:31:12 PM (558653472)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 110717AD-3606-4A26-91A3-BB3D8766F917

Message: Yes approx time?

Sender: [redacted]

Time: 09/14/18 02:31:54 PM (558653514)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 171D39BC-7484-426A-AFA5-81746AB4F417

Message: Mm

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 02:32:28 PM (558653548)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5B38048B-CEF9-4146-91EF-4EA9A360DEA0

Message: ?

Sender: [redacted]

Time: 09/14/18 05:14:11 PM (558663251)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 37F874B9-11D8-413A-86FA-94967632F0EB

Message: Can't make it tonight -- can I call u later ???

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 05:15:57 PM (558663357)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0F5A1736-47E2-4AF5-A05A-CFF3E3455318

Message: No worry at all - yes call later fine -

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 05:17:17 PM (558663437)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: EEBEF02B-47E6-47FD-8ECE-46B1C18271EA

Message: do you want early breakfast? And are you coming for Kathy?

Sender: +13109906526

Time: 09/14/18 05:21:17 PM (558663677)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 5C88C758-7A26-4648-A709-EC0A8ACDB727

Message: Kathy is @ 1?

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 05:22:06 PM (558663726)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3B65D587-B379-4F7E-834C-CC7DE43A89BC

Message: 130? -3

Sender: [redacted]

Time: 09/14/18 05:23:03 PM (558663783)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 8C0CAC7F-6991-47FC-82D0-7407EA543887

Message: Cool

Sender: [redacted]

Time: 09/14/18 05:23:08 PM (558663788)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 317CD9CA-6C84-445D-B0B7-F6C766D9B5F9

Message: Yes

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 05:24:54 PM (558663894)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F39BEBAB-DF1E-4631-95AD-4DDE876CF56E

Message: Miro also

Sender: [redacted]

Time: 09/14/18 05:25:14 PM (558663914)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 6BC9CC03-145A-46F2-A320-E84E593B946F

Message: Excellent

Sender: e:jeeitunes@gmail.com

Time: 09/14/18 07:45:23 PM (558672323)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5BB80197-DC5C-49EF-9CCD-9C75EDC2068B

Message: If you want to talk im online for another 20 min. Otherwise morning

Source Entry: H\Macintosh HD\root\Users\jee\Library\Messages\Archive\2018-10-03\[redacted] on 2018-10-03 at 05.56.05.ichat

Service: iMessage

Start Time: 10/03/18 02:56:05 AM (560253365)

End Time: 10/03/18 04:06:23 AM (560257583)

Last Message ID: 21524

Chat Room:

Participants: jee, [redacted]

Presentity IDs: e:jeeitunes@gmail.com,[redacted]

Messages -

Sender: e:jeeitunes@gmail.com

Time: 10/03/18 02:56:05 AM (560253365)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 77962CC6-3C3C-40B6-A08D-FE3727B0D8A8

Message: Nyt-By age 3, Mr. Trump was earning $200,000 a year in today's dollars from his father's empire. / this is UNFAIR- what are " todays dollars? The article was written by financial illiterates

Sender: e:jeeitunes@gmail.com

Time: 10/03/18 03:06:16 AM (560253976)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: FA27D0E1-B110-4244-8477-3DF0D3ADD9A9

Message: The times did exactly the same as they accuse Donald. Wild exaggeration

Sender: e:jeeitunes@gmail.com

Time: 10/03/18 03:22:15 AM (560254935)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 42163247-87C8-40BA-862C-89BBD8E4CA87

Message: They never say how they calculated these numbers. They ignore taxes paid along the way. etc

Sender: e:jeeitunes@gmail.com

Time: 10/03/18 03:22:29 AM (560254949)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 668C71F2-7F7D-4F59-B543-9937131EF567

Message: Hannity should rip the NYT

Sender: [redacted]

Time: 10/03/18 03:33:53 AM (560255633)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 8579891E-D116-4FC8-86F8-7A675B82889A

Message: How : they are not that sophisticated

Sender: e:jeeitunes@gmail.com

Time: 10/03/18 03:34:35 AM (560255675)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 218B31A1-AB78-46A8-A3FC-DEA8EF69C897

Message: Pose questions. □.

Sender: [redacted]

Time: 10/03/18 03:39:14 AM (560255954)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 0082A042-688D-4CD0-BE10-23F423CC30A6

Message: Isn't it true

Sender: e:jeeitunes@gmail.com

Time: 10/03/18 03:50:47 AM (560256647)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2F79230E-B256-4916-A537-CE06705C9131

Message: What are " todays dollars: The IRS reviewed the issues . And agreed with trump. " if my grandfather would have bought one hundred dollar in treasury bills. the article to be accurate would have said when Donald was 3 years old he received 14k per year. And it doesn't say whether taxes were paid on that

Sender: e:jeeitunes@gmail.com

Time: 10/03/18 03:51:45 AM (560256705)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 82A025F0-4A64-4336-8A84-E83E85C6949E

Message: Instead it says 200k in todays dollars and when he was 8 he had a million .

Sender: e:jeeitunes@gmail.com

Time: 10/03/18 04:06:23 AM (560257583)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 55C82D98-4092-425A-BD4A-6009E7BBEF7C

Message: Instead had Fred put 2k dollar in treassuries it would be worth 1 m today .
All silly

Source Entry: H\Macintosh HD\root\Users\jee\Library\Messages\Archive\2019-02-03\[redacted] on 2018-12-03 at 08.29.43.ichat

Service: iMessage

Start Time: 11/29/18 08:43:11 AM (565202591)

End Time: 02/03/19 08:20:29 AM (570903629)

Last Message ID: 24696

Chat Room:

Participants: jee, [redacted]

Presentity IDs: e:jeeitunes@gmail.com, [redacted]

Messages -

Sender: [redacted]

Time: 11/29/18 08:43:11 AM (565202591)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E5C8C101-BAA0-497F-90C0-E28945446555

Message: Can't believe she cancelled □º□

Sender: [redacted]

Time: 11/30/18 09:48:04 AM (565292884)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 7EF041E1-A82C-449C-9146-14FD7911A7D7

Message: Hi □

Sender: [redacted]

Time: 12/01/18 07:50:50 AM (565372250)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: B22EF361-F1DC-4EA5-A6FF-015507F9F365

Message: Are you here??

Sender: e:jeeitunes@gmail.com

Time: 12/01/18 07:52:01 AM (565372321)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8F3B419D-69A2-451D-AF58-9FB4156652CD

Message: yes

Sender: [redacted]

Time: 12/01/18 07:56:51 AM (565372611)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 32B803AC-3694-416F-AAEF-FAEF8C0D980B

Message: What are you doing tonight?

Sender: e:jeeitunes@gmail.com

Time: 12/01/18 01:35:01 PM (565392901)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2467C890-4E89-46CF-B3AD-0642D7A28B64

Message: <Unsupported Message Content>

Sender: [redacted]

Time: 12/01/18 07:29:13 PM (565414153)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 0E0A925B-ACB9-4F2E-8EAA-6C6A686CAF46

Message: I can't walk now□♀□

Sender: e:jeeitunes@gmail.com

Time: 12/02/18 03:14:47 AM (565442087)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: FFCCF5A7-EACF-478D-8374-82743CCF0C49

Message: swollen?

Sender: e:jeeitunes@gmail.com

Time: 12/02/18 03:31:15 AM (565443075)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C4F7813E-00DA-47E1-BF45-5B8C65179A93

Message: hope its not a tear

Sender: [redacted]

Time: 12/02/18 06:18:13 AM (565453093)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 2489B044-4D81-44C3-836F-692951FC3F89

Message: Not swollen just so painful to walk... Did you fly to Boston?

Sender: [redacted]

Time: 12/02/18 08:12:04 AM (565459924)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: B5448931-D3A3-48FB-96CC-58FC00D0215D

Message: <Unsupported Message Content>

Sender: e:jeeitunes@gmail.com

Time: 12/02/18 08:12:39 AM (565459959)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 52EFAC88-1CC4-4BCC-9B21-8D2F563D6D22

Message: Ot

Sender: [redacted]

Time: 12/02/18 03:59:31 PM (565487971)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 2C8B0186-E67D-49C3-8B01-E238089E28D9

Message: Did you land? My foot is better□□

Sender: e:jeeitunes@gmail.com

Time: 12/02/18 03:59:52 PM (565487992)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E5DBCA8A-1770-4DA2-BEE7-0FFE1FDE6D85

Message: Soon, im glad

Sender: [redacted]

Time: 12/03/18 05:26:08 AM (565536368)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 8BF63F04-1947-4BB4-A4DD-A52A5ED1AFE4

Message: It will all blow over! They're really just trying to take down Trump and doing whatever they can to do that…!

Sender: e:jeeitunes@gmail.com

Time: 12/03/18 05:26:45 AM (565536405)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 736A2116-F9FE-43F1-9AD4-F3DA7A377DB8

Message: yes thx. its wild. because i am the one able to take him down □

Sender: [redacted]

Time: 12/03/18 05:29:43 AM (565536583)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: CC8B1143-3BFE-4C77-928B-CA8B56BFA58C

Message: □

Sender: [redacted]

Time: 02/03/19 07:34:40 AM (570900880)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 70A4EFA2-A811-4A8D-9B93-B759D24303C6

Message: Where are you?? We are in Georgia...

Sender: e:jeeitunes@gmail.com

Time: 02/03/19 07:34:55 AM (570900895)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3D9F243F-7C45-45FC-BECC-3523AD089717

Message: nyc

Sender: e:jeeitunes@gmail.com

Time: 02/03/19 07:35:00 AM (570900900)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: AD6876C2-BC7D-4E79-AE0D-8D557856AF3D

Message: pb tonight

Sender: [redacted]

Time: 02/03/19 08:05:30 AM (570902730)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 7AA24347-FD8E-4E2A-A3D7-CAEB1011ACA2

Message: Ok We are coming back to NY this afternoon.. If you stay come over for a Super Bowl party

Sender: e:jeeitunes@gmail.com

Time: 02/03/19 08:08:44 AM (570902924)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 4162285A-339C-478B-988D-1AEBBE0F916E

Message: thx, but pb warm

Sender: [redacted]

Time: 02/03/19 08:20:29 AM (570903629)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: FBB54499-31D0-4F9F-BD0E-9AB988428681

Message: □

Source Entry: H\Macintosh HD\root\Users\jee\Library\Messages\Archive\2019-02-13\[redacted] on 2019-02-03 at 22.34.17.ichat

Service: iMessage

Start Time: 02/03/19 07:34:17 PM (570944057)

End Time: 02/13/19 03:19:31 PM (571792771)

Last Message ID: 25057

Chat Room:

Participants: jee, [redacted]

Presentity IDs: e:jeeitunes@gmail.com, [redacted]

Messages -

Sender: [redacted]

Time: 02/03/19 07:34:17 PM (570944057)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 4CBF4837-A1AC-4E5D-BB2C-ABBDBD28E3A9

Message: https://www.axios.com/read-trumps-private-leaked-executive-time-schedules-00e9313a-3066-4988-a6dc-711a47de661e.html

Sender: [redacted]

Time: 02/03/19 07:34:17 PM (570944057)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 0A5490DC-5ABA-4D45-BA22-A17F52D66051

Message: Brother is out of gas

Sender: e:jeeitunes@gmail.com

Time: 02/03/19 07:48:18 PM (570944898)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: DA6F075E-602D-4971-87AA-4FE3511665F9

Message: Wow

Sender: e:jeeitunes@gmail.com

Time: 02/04/19 05:21:17 AM (570979277)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 0F8EACB2-6DD4-4EFD-A395-ABAFD82D6088

Message: https://www.nytimes.com/2018/02/01/science/axolotl-genes-

limbs.html?action=click&module=RelatedLinks&pgtype=Article

Sender: e:jeeitunes@gmail.com

Time: 02/04/19 05:21:17 AM (570979277)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 90707CA7-FC38-4F06-AC46-5B235128D09F

Message: . Better than cancer cure

Sender: [redacted]

Time: 02/04/19 05:48:02 AM (570980882)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 9089C227-19A9-4835-9BD6-947F678C0D82

Message: Wow

Sender: e:jeeitunes@gmail.com

Time: 02/05/19 03:10:02 AM (571057802)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: CC577998-8EAC-4B7B-A52D-F8B3E12BE82C

Message: n his Facebook page, Zuberi indicated that he visited Trump Tower in New York in December 2016 as the president-elect prepared to take office, writing that he was with incoming That was the same day that a delegation from Qatar, including the county's foreign minister, visited Trump Tower and met with Flynn and campaign chief executive Stephen K. Bannon.

Sender: [redacted]

Time: 02/05/19 03:57:13 AM (571060633)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 41EE5130-BDC3-46EE-8F9B-A401AEB6E9A6

Message: Where is this?

Sender: e:jeeitunes@gmail.com

Time: 02/05/19 04:00:22 AM (571060822)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 86B50792-BE40-4D6A-9E83-075BABEF6088

Message: https://www.washingtonpost.com/politics/federal-prosecutors-issue-sweeping-subpoena-for-documents-from-trump-inaugural-committee-a-sign-of-a-deepening-criminal-probe/2019/02/04/b6382642-28e5-11e9-8eef-0d74f4bf0295_story.html?utm_term=.6a6bcac26ef9

Sender: [redacted]

Time: 02/05/19 04:06:47 AM (571061207)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: A322BD05-0F76-435B-8CF9-99DC10316B9C

Message: That link us to a WaPo article from last year--never attended a meeting with flynn and anybody from Middle East during transition

Sender: e:jeeitunes@gmail.com

Time: 02/05/19 04:09:23 AM (571061363)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: E608D361-56D2-4615-854C-986B6250FDA0

Message: Sorry, the link is to an article from yesterday. Mueller believes inaug committee not in his wheelhouse. So like more to come he's turned it to us attunes

Sender: e:jeeitunes@gmail.com

Time: 02/05/19 04:09:39 AM (571061379)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5AA6A658-C88F-4598-B0BF-ACD1A946E971

Message: attyns

Sender: e:jeeitunes@gmail.com

Time: 02/05/19 04:10:17 AM (571061417)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 890A71E8-A671-4F82-90A5-3E950B7AD03A

Message: No trouble for. You but barrack and hbj are starts of the show

Sender: e:jeeitunes@gmail.com

Time: 02/05/19 04:10:23 AM (571061423)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 26335776-5BAA-4CD1-BEEA-049B66A3257A

Message: Stars

Sender: [redacted]

Time: 02/05/19 04:10:40 AM (571061440)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: B83B322F-BB10-42F7-8234-E0B6A556A0CF

Message: I'm saying the link to the graph with me goes back to a may 18 story about qatar and michael Cohen

Sender: e:jeeitunes@gmail.com

Time: 02/05/19 04:10:57 AM (571061457)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E5CCB44B-706A-4F0A-88F4-0AFA8C54152D

Message: k

Sender: [redacted]

Time: 02/05/19 04:11:03 AM (571061463)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: CDDED63D-28B6-4F23-9E26-89E2700B4BFA

Message: Barrack won't show well here

Sender: [redacted]

Time: 02/05/19 04:11:17 AM (571061477)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 9FFB7F9E-4EEF-4449-914C-756C5A8D7E6F

Message: Gates I'm sure out of control

Sender: e:jeeitunes@gmail.com

Time: 02/06/19 03:12:33 PM (571187553)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 66B4CFC2-6447-4F22-9785-B8A30C09D8E4

Message: I sent you a question

Sender: [redacted]

Time: 02/06/19 09:35:10 PM (571210510)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 386DFEDB-17BF-4B99-A837-9829BEC95D00

Message: https://www.zerohedge.com/news/2019-02-06/senate-investigating-mueller-fbis-prosecution-orgy-island-billionaire-jeffrey

Sender: e:jeeitunes@gmail.com

Time: 02/06/19 10:52:58 PM (571215178)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 223CEEC5-F368-4CFF-8171-B628E2038222

Message: Yes/ wild

Sender: e:jeeitunes@gmail.com

Time: 02/06/19 10:53:22 PM (571215202)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: C2BE5A9C-5D39-44C0-BE61-AD220C91E98C

Message: https://www.foxnews.com/politics/doj-opens-probe-into-plea-bargain-awarded-by-trump-official-to-alleged-pedophile-predator-jeffrey-epstein

Sender: e:jeeitunes@gmail.com

Time: 02/07/19 02:08:20 AM (571226900)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 99B07706-DF96-41E8-A848-CA17B8775776

Message: Continue to ignore? Ann Coulter on hannity/. Attack? Op ed , ? Not my skill set

Sender: e:jeeitunes@gmail.com

Time: 02/07/19 02:30:10 AM (571228210)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: BA0E5799-F576-487E-B37D-7EFEA882224F

Message: What about the attunes penning something that suggests indignation and lays out some of the facts. .

Sender: [redacted]

Time: 02/07/19 03:04:47 AM (571230287)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 53FE8467-93AC-47DE-8D7A-6495BE89A73C

Message: That drives it a week

Sender: e:jeeitunes@gmail.com

Time: 02/07/19 03:06:57 AM (571230417)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C20DDFB1-33B5-43BB-B0D0-AB011E452D01

Message: sasse calling me a child rapist , is nuts!!! Sorry do. You mean ignore. , or responding makes it worse. ?

Sender: [redacted]

Time: 02/07/19 03:31:47 AM (571231907)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 6FC95244-260C-4CD9-993B-6A3DE111441C

Message: I think makes it way worse

Sender: e:jeeitunes@gmail.com

Time: 02/07/19 03:32:48 AM (571231968)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 52A78251-4A2B-45F0-A18F-172A388D5935

Message: K, what about Ken talking directly to sasse

Sender: [redacted]

Time: 02/07/19 03:57:10 AM (571233430)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 051DA927-E4B2-440D-BC7D-362872CE5284

Message: Won't help but yes

Sender: e:jeeitunes@gmail.com

Time: 02/07/19 04:07:41 AM (571234061)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3AD80A9B-06C1-441A-B2A7-394D69E79939

Message: K

Sender: [redacted]

Time: 02/09/19 03:36:01 PM (571448161)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 2FE5648B-1E72-44F1-BB1E-6BEA6C0DA02B

Message: I'm in Tucson -- can Chomsky meet tomorrow afternoon???

Sender: e:jeeitunes@gmail.com

Time: 02/09/19 03:37:22 PM (571448242)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F4AEC405-ED21-4D8D-A05D-07D7E34778AB

Message: Great. , ill check.

Sender: e:jeeitunes@gmail.com

Time: 02/09/19 03:42:26 PM (571448546)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: FBD79915-C925-4B8F-89F4-E9CAB0513C82

Message: irving

Sender: e:jeeitunes@gmail.com

Time: 02/09/19 07:00:09 PM (571460409)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: AFBA28C2-7753-413D-96F0-CED269677784

Message: Yes, he'd like that. His wife is Brazilian so go gently re bolsonaro. They are friends with Lula . But he is an iconic figure and you shouldn't pass up the chance to talk history and politics. I will connect you on email . So you can coordinate directly .

Sender: [redacted]

Time: 02/09/19 07:25:31 PM (571461931)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: DBE311BC-F3F0-4A2F-9D35-D1C8646C9FD9

Message: Thanks

Sender: e:jeeitunes@gmail.com

Time: 02/10/19 03:03:13 AM (571489393)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0A54327D-B222-468C-ACD6-1AF972E974AE

Message: Im very glad that it worked out, it is better than the apple watch for xmas.
□

Sender: e:jeeitunes@gmail.com

Time: 02/10/19 03:03:55 AM (571489435)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8197E28E-5062-4097-AE3D-D515403C7AD9

Message: you two have more in common than you think, workers party. Little guy.
History, pr. . etc

Sender: [redacted]

Time: 02/10/19 03:03:58 AM (571489438)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 7E8D75A6-FC95-4932-AB1E-03AEF39E68B8

Message: He lives right down the street from my brother

Sender: e:jeeitunes@gmail.com

Time: 02/10/19 03:04:07 AM (571489447)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 22619185-3718-4AFE-8714-1DF69059C6BD

Message: Ha

Sender: e:jeeitunes@gmail.com

Time: 02/10/19 01:00:39 PM (571525239)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 620D9F7D-BCB8-4151-9632-C909A61284D8

Message: He will want to know how if you are for the little guys- tax cut health care attack and bolsonari threats to organized workers

Sender: [redacted]

Time: 02/10/19 01:00:57 PM (571525257)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 416801D1-0AF1-45B0-913F-5606193D8A15

Message: Yep

Sender: e:jeeitunes@gmail.com

Time: 02/10/19 01:03:38 PM (571525418)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8BAFBCA1-39CF-4BF5-9FAA-294EFDB37DC2

Message: Have fun!!

Sender: e:jeeitunes@gmail.com

Time: 02/10/19 06:23:57 PM (571544637)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: BC0AD8E9-F914-47FD-8F1C-931A34A18C8D

Message: Well?

Sender: [redacted]

Time: 02/10/19 06:25:49 PM (571544749)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 5B7635E9-FF98-4DE4-AF7C-FDA3034A1081

Message: Great gentleman

Sender: [redacted]

Time: 02/10/19 06:28:13 PM (571544893)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: B516ECFD-EE62-4688-836A-6ECEEBB189CE

Message: Love the wife

Sender: [redacted]

Time: 02/10/19 06:29:09 PM (571544949)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: D73DB910-3F93-40CE-B2BE-B6F0B3CE2019

Message: 3 hour punch out

Sender: e:jeeitunes@gmail.com

Time: 02/10/19 06:30:04 PM (571545004)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 61C35D3B-AF38-4DE6-8734-B6BF5438881B

Message: Glad you had the opportunity- he could not choose a college major so he created a field from scratch/ linguistic s

Sender: e:jeeitunes@gmail.com

Time: 02/10/19 06:31:17 PM (571545077)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 22DACAD9-6979-43E5-8B45-696B46E42D6F

Message: <Unsupported Message Content>

Sender: [redacted]

Time: 02/10/19 06:31:25 PM (571545085)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: BC55D797-0EDF-47DF-9B66-D3661BDBEE8E

Message: Brilliant--- but short on some basic facts

Sender: e:jeeitunes@gmail.com

Time: 02/10/19 06:31:50 PM (571545110)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 9B149179-FF82-4A2A-8117-57AD30BDD481

Message: Agreed almost 90

Sender: [redacted]

Time: 02/10/19 06:33:28 PM (571545208)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: B2A20CA7-B070-48BC-96C3-BC783FE32EB2

Message: 3 hours dude@ 90

Sender: [redacted]

Time: 02/10/19 06:33:34 PM (571545214)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 0EFB765F-FFF1-494A-B8B0-E0EE6AB6CA8C

Message: I'm wasted

Sender: e:jeeitunes@gmail.com

Time: 02/11/19 08:35:54 AM (571595754)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: EDDCD1E6-D198-4134-BA6C-5BF4CDA65353

Message: Im in ny Thursday Friday and Saturday morning

Sender: e:jeeitunes@gmail.com

Time: 02/11/19 08:36:00 AM (571595760)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0FFF7F99-335B-42CD-A7CD-D3FF7F71493B

Message: U?

Sender: [redacted]

Time: 02/11/19 08:36:17 AM (571595777)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: DF2B9770-C0F9-4C44-BC9F-7E178C617EC0

Message: All up in air

Sender: e:jeeitunes@gmail.com

Time: 02/11/19 08:36:30 AM (571595790)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0095B895-0356-480B-B0A7-011E416F52A5

Message: How unusual:)

Sender: e:jeeitunes@gmail.com

Time: 02/12/19 06:22:36 AM (571674156)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2DD76ADA-729D-4F7E-962E-3DA478E568BD

Message: Pompeo was with miro inslovakia

Sender: [redacted]

Time: 02/12/19 06:22:58 AM (571674178)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 62F0865B-FC09-40A9-AF06-00F5238A3FA6

Message: Today???

Sender: e:jeeitunes@gmail.com

Time: 02/12/19 06:23:15 AM (571674195)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C6A75887-C5ED-49BB-B01A-93D4076E8638

Message: Yes

Sender: [redacted]

Time: 02/12/19 06:23:31 AM (571674211)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 520734D8-2C3D-4478-8F4C-76CD4E62D1CA

Message: Very cool

Sender: e:jeeitunes@gmail.com

Time: 02/12/19 06:23:48 AM (571674228)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 53A5DD0C-B002-42AE-8492-FBFCD1B97932

Message: So complex. wow

Sender: [redacted]

Time: 02/12/19 06:26:37 AM (571674397)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 017F9D06-2771-46B0-9F00-55112A36AD63

Message: u revel in complexity

Sender: e:jeeitunes@gmail.com

Time: 02/12/19 06:26:48 AM (571674408)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: CD2072C3-1C60-4971-B688-D1BC027212B0

Message: So true

Sender: e:jeeitunes@gmail.com

Time: 02/12/19 06:42:18 AM (571675338)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E2983A9A-81C2-4786-88CC-303F89C4B80F

Message: I had a briefing that was one holy shit after another. Wild times. Everyone angry distrustful. Looking for daddy

Sender: e:jeeitunes@gmail.com

Time: 02/12/19 06:43:27 AM (571675407)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 09580040-80A2-4A20-97BD-4426C8AEF96F

Message: America pulling out from authority role is like the teacher leaving the classroom with all boys high school. . fights name calling all old suspicions raised to the fore

Sender: [redacted]

Time: 02/12/19 07:15:36 AM (571677336)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 662097D7-E9E1-4448-83C5-5A2D35B11356

Message: But America ain't pulling out-- just making ourselves a priority

Sender: e:jeeitunes@gmail.com

Time: 02/12/19 09:43:22 AM (571686202)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5FCB7705-F772-493C-B339-AD12E7B224C4

Message: <Unsupported Message Content>

Sender: [redacted]

Time: 02/12/19 09:54:45 AM (571686885)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 66405E46-175D-4745-9135-6C829DC07A3E

Message: Epic

Sender: e:jeeitunes@gmail.com

Time: 02/13/19 07:43:27 AM (571765407)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 40A00214-1B28-4F5B-A0E5-725B2C6C2035

Message: Weingarten coming for breakfast sat , if you are around, I'm here until sat non

Sender: e:jeeitunes@gmail.com

Time: 02/13/19 07:43:29 AM (571765409)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 1193B88C-9C67-44AB-955D-24BAD0971F09

Message: noon

Sender: [redacted]

Time: 02/13/19 07:45:51 AM (571765551)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: C2EDE11A-45B4-4F74-93AD-4AD9AAB97542

Message: What time breakfast

Sender: e:jeeitunes@gmail.com

Time: 02/13/19 07:46:02 AM (571765562)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F4A9BEA3-BA7D-47D5-BC21-5924B2E16EC9

Message: 9

Sender: e:jeeitunes@gmail.com

Time: 02/13/19 01:58:15 PM (571787895)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E19B37E2-D738-44DD-949D-575CA4F6A1BA

Message: u aorund?

Sender: [redacted]

Time: 02/13/19 03:19:31 PM (571792771)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 3F0140CB-C2ED-43A1-8F2F-B5B045A95D29

Message: DC

Source Entry: H\Macintosh HD\root\Users\jee\Library\Messages\Archive\2019-02-25\[redacted] on 2019-02-12 at 06.29.59.ichat

Service: iMessage

Start Time: 02/25/19 05:04:24 PM (572835864)

End Time: 02/25/19 08:49:24 PM (572849364)

Last Message ID: 25553

Chat Room:

Participants: jee, [redacted]

Presentity IDs: e:jeeitunes@gmail.com, [redacted]

Messages -

Sender: e:jeeitunes@gmail.com

Time: 02/25/19 05:04:24 PM (572835864)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8A1C2D1E-0644-46B0-9096-AE428DE0F843

Message: You around?

Sender: [redacted]

Time: 02/25/19 06:10:23 PM (572839823)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 71097128-520C-4914-93FE-7A8DF9877419

Message: Hey I am Abu Dhabi and Dubai this week watching the hypocrisy from a distance!

Sender: [redacted]

Time: 02/25/19 06:10:31 PM (572839831)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 0C0E4AB5-4E06-4904-8D34-A445888A3834

Message: I am back Monday

Sender: [redacted]

Time: 02/25/19 06:10:49 PM (572839849)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 503AF2CB-C265-4135-A076-6F4EF4B9A981

Message: Are you in NYC next week?

Sender: e:jeeitunes@gmail.com

Time: 02/25/19 06:16:39 PM (572840199)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: DD297D2A-292C-4D58-83F9-F6711166962F

Message: maybe hope you are having fun

Sender: [redacted]

Time: 02/25/19 06:17:50 PM (572840270)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 9CA5D37A-93DF-42FC-8269-02F61A081FB1

Message: This is never that much fun! I took the kids to Anguilla last week they was fun! I am sure that you are doing great. The world has gone nuts.

Sender: [redacted]

Time: 02/25/19 06:24:24 PM (572840664)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: B1D6DAC9-6DA5-43FE-BC25-D9A98AE34B6A

Message: The biggest hypocrites are the cardinals!

Sender: e:jeeitunes@gmail.com

Time: 02/25/19 06:28:33 PM (572840913)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 76A47000-5B2E-49FA-9E28-A984F4D80C73

Message: wild

Sender: e:jeeitunes@gmail.com

Time: 02/25/19 06:28:57 PM (572840937)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 7C91E6A1-4B81-4FB1-9B90-03C47147FD8C

Message: michael cohen testifying at the same time trump is with kim? wow

Sender: [redacted]

Time: 02/25/19 06:29:23 PM (572840963)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: D76E0497-9914-472A-A8FA-0F271939917E

Message: Trump planned that so that it was drowned out by the news cycle

Sender: [redacted]

Time: 02/25/19 08:49:24 PM (572849364)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: CFC0B96C-98D0-4F13-B995-9A7E8F15FA30

Message: The Australian Cardinal could be the worst.

Source Entry: H\Macintosh HD\root\Users\jee\Library\Messages\Archive\2019-02-26\[redacted] on 2019-02-25 at 21.17.38.ichat

Service: iMessage

Start Time: 02/25/19 06:17:38 PM (572840258)

End Time: 02/26/19 12:11:33 PM (572904693)

Last Message ID: 25571

Chat Room:

Participants: jee, [redacted]

Presentity IDs: e:jeeitunes@gmail.com, [redacted]

Messages -

Sender: [redacted]

Time: 02/25/19 06:17:38 PM (572840258)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 2B10F79B-24F3-4334-B215-D60CF6AC5F2A

Message: If you do an interview it can't be like 'Johnnie does a utube'-- has to be amazingly professional and perfectly cut

Sender: e:jeeitunes@gmail.com

Time: 02/25/19 06:21:27 PM (572840487)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 96567BFD-BAB0-462A-B195-DA3DFD76C24A

Message: woody said he would help edit. not sure how to stage, what points to make. but better than trying to do an interview that i have no experience doing. goal to himanize the monster. anything written carries iittle weight. tomorrow the juxtopsion of michael cohen testifying while trump is with kim is wild

Sender: [redacted]

Time: 02/25/19 06:23:00 PM (572840580)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 68480998-7244-4389-87CA-4A1D72341925

Message: Yes

Sender: e:jeeitunes@gmail.com

Time: 02/25/19 06:24:58 PM (572840698)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F0ED66DC-D2FC-4B6A-95FC-6415527AF999

Message: should it be in an interview format. ? interviewed by ? or just me? speaking to the camera. humor ? apology? how did i get rich. ? topics?

Sender: e:jeeitunes@gmail.com

Time: 02/25/19 09:57:09 PM (572853429)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5DCD53D2-C8BA-4BC6-8405-2B949FF52567

Message: feeling better?

Sender: e:jeeitunes@gmail.com

Time: 02/26/19 03:03:33 AM (572871813)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: F5963041-F578-43E4-8455-1147517453E3

Message: https://www.nytimes.com/2019/02/25/us/politics/alexander-acosta-resign-calls.html?action=click&module=Associated&pgtype=Article&region=Footer&contentCollection=The%20Trump%20White%20House

Sender: e:jeeitunes@gmail.com

Time: 02/26/19 05:30:49 AM (572880649)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 529626E6-5FB8-4938-A9B5-B2FC4CA28239

Message: how r u

Sender: [redacted]

Time: 02/26/19 06:05:40 AM (572882740)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 31B43172-C8D6-4603-BDF9-F23AA39B8E8D

Message: Better

Sender: e:jeeitunes@gmail.com

Time: 02/26/19 06:06:26 AM (572882786)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 97399BC9-8368-440F-9500-DA0751FD1BC0

Message: glad

Sender: e:jeeitunes@gmail.com

Time: 02/26/19 12:11:33 PM (572904693)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 25CEA8A5-D29F-4749-9F73-08C64C1759DF

Message: One of the most important facts for the public seems to be the girls used the agreement to get money and only after then tried to have it voided

Source Entry: H\Macintosh HD\root\Users\jee\Library\Messages\Archive\2019-02-27\[redacted] on 2019-02-27 at 07.55.00.ichat

Service: iMessage

Start Time: 02/27/19 04:55:00 AM (572964900)

End Time: 02/27/19 08:14:54 PM (573020094)

Last Message ID: 25663

Chat Room:

Participants: jee, [redacted]

Presentity IDs: e:jeeitunes@gmail.com, [redacted]

Messages -

Sender: [redacted]

Time: 02/27/19 04:55:00 AM (572964900)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E16EF7AF-1B9C-4E41-BED3-BC93A7E203EA

Message: He'll talk about his grades

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 04:56:11 AM (572964971)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: A4E275B9-271D-42EC-A6AE-4339D4601667

Message: what privilege stands behind the none release of college transcripts? □

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 07:02:58 AM (572972578)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3E7C2A92-D63D-4D91-8734-23709303B20B

Message: Great outfit

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 07:22:08 AM (572973728)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 76426F42-04B1-45CD-B4A7-CEE4B8B343DD

Message: You look great

Sender: [redacted]

Time: 02/27/19 07:22:24 AM (572973744)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 2FCBE738-3D79-4939-989F-DEC095D784DA

Message: Thanks!

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 07:41:42 AM (572974902)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8FD4DCDD-87AE-475E-860E-1346E9D9D6B2

Message: Are you chewing

Sender: [redacted]

Time: 02/27/19 07:42:05 AM (572974925)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 1D6EDBE0-437D-477D-A1A5-8EDC867ECCC8

Message: Not any more

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 07:42:15 AM (572974935)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: BDB8DA0A-D06A-42A9-B7B7-5C11BA6BEFA1

Message: :)

Sender: [redacted]

Time: 02/27/19 07:44:54 AM (572975094)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 4BB520CD-4EFF-4B4A-A6DB-7FCED3CFCE45

Message: Chewing interior of my mouth. Bad habit from middle school

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 07:45:38 AM (572975138)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 7A66020B-E39D-4FE4-BE8C-AC162755DE60

Message: Sweet

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 09:25:36 AM (572981136)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 7AE4B76F-91E7-4CDE-ACCB-A38C32E40045

Message: Hes opened the door to questions re who are the other henchmen at trump org

Sender: [redacted]

Time: 02/27/19 09:26:15 AM (572981175)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: C47D56D3-9C10-41FA-BEC2-643964FC7F85

Message: Yup. Very aware and waiting my turn

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 09:50:02 AM (572982602)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 38933E59-820C-4F52-9A74-D4A3A86C6CF3

Message: How much longer for you

Sender: [redacted]

Time: 02/27/19 09:50:36 AM (572982636)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 1E15DD25-C04C-46C2-BFCF-44E6781773A8

Message: Hours. Go to other mtgs

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 09:57:55 AM (572983075)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 799AF8A4-80E4-4B49-92BD-21D0CB716AF5

Message: Thx

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 11:24:25 AM (572988265)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8D544208-6C75-47A1-A7E3-915C14443FCD

Message: Cohen brought up RONA - keeper of the secrets

Sender: [redacted]

Time: 02/27/19 11:25:00 AM (572988300)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 51AFF675-9AF3-4D96-BB0F-97AA390554FA

Message: RONA??

Sender: [redacted]

Time: 02/27/19 11:25:41 AM (572988341)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 110C0450-08FF-4A46-960B-7744F9A0CBD8

Message: Quick I'm up next is that an acronym

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 11:26:07 AM (572988367)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5E9AFF26-5F56-4A7B-8518-8CE7BE0E1B35

Message: Thats his assistant

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 11:26:18 AM (572988378)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 92113168-10DE-4485-985B-0A3D1051AD3E

Message: Rona

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 11:27:03 AM (572988423)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 05C23DF8-E908-4892-B399-B94A818F3DD1

Message: "She called out rodger is on line 1" corroborater

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 11:34:43 AM (572988883)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 22729FF3-691B-415C-ACBE-5F47FD50D4E5

Message: Good work

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 11:59:50 AM (572990390)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: A10A4F49-5D6A-4162-9AB0-56C78C512F54

Message: Financial statement exhibit???? Wild

Sender: [redacted]

Time: 02/27/19 12:12:00 PM (572991120)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E7B78AA8-7DFC-473D-9B73-7F772CE9CD9C

Message: Wild!!

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 01:19:29 PM (572995169)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 869E18BC-0F91-4D08-8CB1-E35E70617455

Message: The titles of each section are misleading. It talks about asset value, and then related loans. And then loans payable. These are all tricks

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 01:20:09 PM (572995209)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 36293000-88A9-4F06-9D07-6D65C17B7410

Message: Assets owned less than 100 percent? Operating property?

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 02:26:46 PM (572999206)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: DCE20201-73B2-4DCB-BD97-CF819AA40A51

Message: What were your takeaways?

Sender: [redacted]

Time: 02/27/19 02:42:54 PM (573000174)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 046E4F5D-73D4-4689-BF26-EE41B662DE75

Message: Thinking.

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 07:00:10 PM (573015610)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 30400607-2686-4676-BCF1-1DF9D6005588

Message: Was it fun

Sender: [redacted]

Time: 02/27/19 07:06:15 PM (573015975)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: D7678BD4-21F6-45AA-8A5C-4B2AF3B16368

Message: No

Sender: e:jeeitunes@gmail.com

Time: 02/27/19 08:11:45 PM (573019905)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0295D722-A710-4BE2-9C93-D101D97596B7

Message: were you surprised by the rabid republican defense

Sender: [redacted]

Time: 02/27/19 08:14:54 PM (573020094)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 54762CB4-2482-4F63-9CE1-501E493C929A

Message: Of course not

Source Entry: H\Macintosh HD\root\Users\jee\Library\Messages\Archive\2019-03-31\[redacted] on 2019-03-31 at 13.01.19.ichat

Service: SMS

Start Time: 02/24/19 12:18:52 PM (572732332)

End Time: 03/31/19 10:01:19 AM (575744479)

Last Message ID: 26840

Chat Room:

Participants: jee, [redacted]

Presentity IDs: e:, [redacted]

Messages -

Sender: [redacted]

Time: 02/24/19 12:18:52 PM (572732332)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E8FC437F-030C-41DA-80FD-A4EC27724A03

Message: Did you land?

Sender: [redacted]

Time: 02/24/19 01:00:25 PM (572734825)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 4D09D093-23B5-4A69-AB74-6ACBF9FBF645

Message: Want to come over for the Oscars and dinner?

Sender: e:jeeitunes@gmail.com

Time: 02/24/19 01:39:59 PM (572737199)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 55FF1598-F158-4751-8C0E-84A1482E2405

Message: No thx

Sender: [redacted]

Time: 02/26/19 09:19:04 AM (572894344)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 676F9617-D794-47B2-9987-8769F88AD464

Message: Catherine Shimonys mom died... just FYI

Sender: e:jeeitunes@gmail.com

Time: 02/28/19 12:41:59 AM (573036119)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 7D7D7D5F-2E32-4E08-84BA-8F9A8FC7DBA7

Message: sorry its been so busy

Sender: +[redacted]

Time: 02/28/19 06:39:36 AM (573057576)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 0A137F29-5A90-4598-A279-CAE8D59DEAAE

Message: No worries I understand

Sender: [redacted]

Time: 03/01/19 01:51:44 PM (573169904)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 2BE3AD60-04B4-43C1-AFB4-8AAB4D1CB4C3

Message: Do you want to come over for dinner tonight?

Sender: e:jeeitunes@gmail.com

Time: 03/01/19 03:41:17 PM (573176477)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D6A85C27-8C25-489A-99EA-B222B5261A28

Message: No thx. Call if you are free

Sender: +[redacted]

Time: 03/01/19 04:25:37 PM (573179137)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 919E5F15-49D0-4747-98C6-FBDC1A2882A1

Message: <Unsupported Message Content>

Sender: [redacted]

Time: 03/01/19 05:01:31 PM (573181291)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: FFF50699-8AF5-4783-9F79-696DFFC6F8F5

Message: Glenn last week

Sender: [redacted]

Time: 03/12/19 09:16:23 AM (574100183)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E167EE83-7160-48C2-87AA-B8312A5576EF

Message: How are you?

Sender: [redacted]

Time: 03/12/19 09:16:28 AM (574100188)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 2BAB76BB-24B5-4AFA-A583-06110E5C11C4

Message: □

Sender: e:jeeitunes@gmail.com

Time: 03/12/19 09:17:31 AM (574100251)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C81B9FC5-1324-4A6A-B2C0-F1B83853DB04

Message: its sooo wild to hear my name at the White House press conference . At some point the truth will come out. But. Until then. Wow

Sender: [redacted]

Time: 03/12/19 09:18:28 AM (574100308)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 2983DDE3-743A-432E-90B0-C552FADDB2CB

Message: So crazy. People have nothing better to do than make up wild stories. Especially considering who is leading this country right now □

Sender: e:jeeitunes@gmail.com

Time: 03/12/19 09:18:46 AM (574100326)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 7B0A7D13-2ED5-4819-A02F-D49AD69B68DD

Message: https://www.thedailybeast.com/billionaire-pedophile-jeffrey-epstein-funded-womens-empowerment-entrepreneur-lana-pozhidaeva

Sender: [redacted]

Time: 03/12/19 09:20:24 AM (574100424)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 3693AA8E-5189-437E-82F1-A2FDB3223E03

Message: □□

Sender: [redacted]

Time: 03/12/19 09:20:27 AM (574100427)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 3D7F15BC-9FF1-49CE-B1E5-52F2BBB7DCDA

Message: The daily beast

Sender: [redacted]

Time: 03/12/19 09:20:42 AM (574100442)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 9A49C521-D0FB-46DB-B51E-6AA01D6F0EF4

Message: People are so crazy!!! Why don't they spend time learning about important things like science

Sender: e:jeeitunes@gmail.com

Time: 03/18/19 07:50:49 AM (574613449)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2513B764-4398-4DEA-A6A8-7CDDE53A4EDB

Message: its impossible that less than two more weeks till you birthday wow

Sender: [redacted]

Time: 03/18/19 07:54:19 AM (574613659)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 56505D3B-AA44-4C72-AB4A-62F9EF3910CF

Message: 24!!!

Sender: [redacted]

Time: 03/18/19 07:55:20 AM (574613720)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: FA7E9E16-1FF3-4F14-872D-9CC81A58C859

Message: Best day of the year because i can eat birthday cake for breakfast

Sender: e:jeeitunes@gmail.com

Time: 03/18/19 07:56:20 AM (574613780)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D1D2F9A4-8D7C-46D0-A38C-034DF81BFFA8

Message: i believe in birthday cake. everyday

Sender: [redacted]

Time: 03/18/19 07:57:20 AM (574613840)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 294B1B47-D73E-4238-B3D4-FF9FAD27C2EA

Message: □□

Sender: [redacted]

Time: 03/18/19 07:57:50 AM (574613870)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 9BFA47D1-F86B-4EC7-996B-FAEE9F8F5AD0

Message: What's the latest? Do you think they're going to unseal the documents or what is happening?

Sender: [redacted]

Time: 03/18/19 07:58:03 AM (574613883)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: F010B0AE-6694-4133-89CE-0FA52265DFD8

Message: It's all so crazy □□

Sender: e:jeeitunes@gmail.com

Time: 03/18/19 07:58:39 AM (574613919)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 6D4C1EFF-D99D-464E-9BF7-6791E07848F5

Message: it will be awhile. no big deal. it is press. not physical. no cancer it is gossip. renaldo a real creep

Sender: [redacted]

Time: 03/18/19 07:59:17 AM (574613957)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: C24AF24E-B16D-48AE-958C-8EB8085AE20E

Message: He is the worst!!!

Sender: [redacted]

Time: 03/18/19 07:59:26 AM (574613966)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 46AAE62A-6287-4495-8CA6-36837F09E8B8

Message: Do you think anything will come of it or how does it work?

Sender: e:jeeitunes@gmail.com

Time: 03/18/19 07:59:51 AM (574613991)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2D17EB79-08F3-4D9A-8CFE-155CF8BDCD19

Message: no, just more gossip/

Sender: [redacted]

Time: 03/18/19 08:01:10 AM (574614070)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 708E431C-09CF-42C8-BB80-F1BA00794829

Message: So crazy. They are trying to implicate so many people!!! I don't understand what they are trying to get from this

Sender: [redacted]

Time: 03/18/19 08:01:20 AM (574614080)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: A848179C-B5B1-46D3-8EA6-EF1A2DCA6AE7

Message: I guess people are just bored and hate trump

Sender: e:jeeitunes@gmail.com

Time: 03/18/19 08:02:03 AM (574614123)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: DB1348FC-B11B-4260-BF78-849F86BFBB74

Message: yup

Sender: [redacted]

Time: 03/18/19 08:02:38 AM (574614158)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 2616AE30-3E71-4BB9-8BCF-E15D76876964

Message: It will all blow over □□□□

Sender: e:jeeitunes@gmail.com

Time: 03/18/19 08:03:21 AM (574614201)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3C2299A6-AE9C-4C5B-9286-378C17744DF8

Message: yes, mueller report, wientstein trial and dem primary debates. in june , so quiet

Sender: [redacted]

Time: 03/18/19 08:23:12 AM (574615392)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 1330F459-98F9-43C7-AEB5-C83228A28752

Message: Oh yeah... nothing ever came of those... crazy how everyone moves on

Sender: [redacted]

Time: 03/18/19 08:23:24 AM (574615404)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 396EA5C5-9A91-4F34-ABDD-29236C3C31EA

Message: The college scandal I bet will be gone by next week

Sender: e:jeeitunes@gmail.com

Time: 03/18/19 08:24:16 AM (574615456)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 7E6CCF7F-AEB5-4DD9-9139-447C0B4628B6

Message: no the college scandal will grow . everyone hates the rich. i have a new idea for you bd present

Sender: [redacted]

Time: 03/18/19 08:24:37 AM (574615477)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: F9E12FA7-01BB-4198-AA7A-373187ECBA31

Message: That'll be a good distraction then □

Sender: [redacted]

Time: 03/18/19 08:24:42 AM (574615482)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: DC31D00A-B715-4DDF-97B0-59B07FB7FA06

Message: What is the idea??

Sender: e:jeeitunes@gmail.com

Time: 03/18/19 08:26:20 AM (574615580)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D8544461-DAA9-4736-AC9A-49D7E43E5923

Message: you are receiving 30k in amex gift cards. or I think it much better thet you have your own credit card and start building a good credit history . so you can have money wired into your own account. and no one gets to review what you do with it. I prefer you have total privacy

Sender: [redacted]

Time: 03/18/19 09:11:55 AM (574618315)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 4E7047FF-6D47-4574-B407-0C14A7C24BF4

Message: I love both ideas .. I feel like it is difficult to set up my own credit card until I make my own money right ??

Sender: e:jeeitunes@gmail.com

Time: 03/18/19 09:27:50 AM (574619270)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3A3799CB-578D-45E4-B6D7-37EA2BD0AB7A

Message: no, its a very good idea to start now. the fact that you are in medical school will help.

Sender: [redacted]

Time: 03/18/19 09:28:41 AM (574619321)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 5A8CA953-89FA-4FE3-B735-1974025CAE8A

Message: Okay I like it! I do have my own account…but I think it is debit not credit

Sender: [redacted]

Time: 03/18/19 09:28:44 AM (574619324)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: F5A1A6A0-3BDE-4D93-8D5E-832DBB20FE30

Message: Which is different right?

Sender: e:jeeitunes@gmail.com

Time: 03/18/19 09:31:19 AM (574619479)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 46E8229D-6B85-4FF1-A563-F16F268F91F5

Message: yes, you should apply for a visa CREDIT card .

Sender: [redacted]

Time: 03/18/19 09:31:33 AM (574619493)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: A45321BF-3708-4108-B02E-7ABE74214CD2

Message: Okay sounds good. I will do that this week □ □ and will let you know

Sender: e:jeeitunes@gmail.com

Time: 03/18/19 09:32:00 AM (574619520)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 76DE7A54-1265-4966-A58D-AB3FE5285854

Message: its possible that they will need a balance so we will deposit money etc

Sender: [redacted]

Time: 03/18/19 09:32:15 AM (574619535)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 04D2B05C-412F-462A-8FB5-456FE12C803C

Message: Okay will let you know!!!

Sender: [redacted]

Time: 03/18/19 09:32:18 AM (574619538)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 9089B3AC-4A9D-4049-BF5F-102204A0B467

Message: Its a great idea □

Sender: e:jeeitunes@gmail.com

Time: 03/18/19 01:19:11 PM (574633151)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5F634C28-D5EC-4C8F-BE1B-129E33A67E58

Message: My new disguise to avoid paparazzi

Sender: e:jeeitunes@gmail.com

Time: 03/19/19 05:08:18 AM (574690098)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: F5778B22-B5D9-4C7B-80EF-EB692DB0FD65

Message: found this yesterday

Sender: [redacted]

Time: 03/19/19 05:23:30 AM (574691010)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 09F24F30-3499-45CD-B6D2-1BF4599376A8

Message: So young!! No sweatpants!

Sender: [redacted]

Time: 03/23/19 09:29:42 AM (575051382)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: DE4581D7-0F40-4964-A81A-3B96290B735E

Message: House looks amazing I googled it!! We will come and visit you

Sender: e:jeeitunes@gmail.com

Time: 03/23/19 11:36:36 AM (575058996)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: C9A25099-928F-4766-B644-FBDA033226E4

Message: http://www.flexmls.com/cgi-bin/mainmenu.cgi?cmd=url+other/run_public_link.html&public_link_tech_id=1g1zxeaghdm m&s=6&id=1&san=44630&cid=1

Sender: [redacted]

Time: 03/23/19 11:38:24 AM (575059104)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 051527DE-4951-44EF-AC63-F07C001AC26C

Message: I remember that house!!!!!

Sender: e:jeeitunes@gmail.com

Time: 03/23/19 11:38:37 AM (575059117)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 365F3A7A-995C-4F42-98F6-4737E0742CF7

Message: Exactly !!!!

Sender: [redacted]

Time: 03/25/19 03:20:25 PM (575245225)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 556F2614-2F37-4E13-818B-3C0BB0B73943

Message: https://nypost.com/2019/03/25/avenatti-is-actually-the-fraud-con-man-he-accused-trump-of-being/?utm_campaign=iosapp&utm_source=message_app

Sender: [redacted]

Time: 03/25/19 07:42:53 PM (575260973)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 5842B582-6CF1-4E06-AD70-68CFABB7F6BE

Message: https://nypost.com/2019/03/25/michael-avenatti-charged-with-trying-to-extort-20m-from-nike/?utm_campaign=iosapp&utm_source=message_app

Sender: e:jeeitunes@gmail.com

Time: 03/29/19 09:49:04 AM (575570944)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 33D4C50F-DFC7-4B4E-BD6D-D745ECA9D3A1

Message: <Unsupported Message Content>

Sender: e:jeeitunes@gmail.com

Time: 03/29/19 09:49:23 AM (575570963)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2AC9AF96-961A-4E6F-BF01-724888C930D3

Message: I sent you your bd present

Sender: [redacted]

Time: 03/29/19 09:52:47 AM (575571167)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: B8EE8F8A-94AE-48E3-8449-5E3C800E6D6D

Message: Master of disguise!

Sender: [redacted]

Time: 03/29/19 09:52:51 AM (575571171)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: F76F8953-CFE4-4202-BFC4-1351EC2DAAA9

Message: Are you in Paris?

Sender: [redacted]

Time: 03/29/19 09:52:56 AM (575571176)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E2E4E280-E524-4B3B-B96F-C249A556131F

Message: Excited for my present…THANK YOU!!!!!

Sender: e:jeeitunes@gmail.com

Time: 03/29/19 09:58:48 AM (575571528)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2E289A9C-F3AA-4C29-9E32-658036BBBD0C

Message: Yes

Sender: e:jeeitunes@gmail.com

Time: 03/30/19 08:34:48 AM (575652888)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3C6BF367-E58E-4B23-8D66-86AD5BECE5ED

Message: He built the pyramid

Sender: [redacted]

Time: 03/30/19 10:17:22 AM (575659042)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E5B6662C-F537-4BB7-82B3-3751FFC7FC34

Message: THANK YOU FOR My PRESENT!!!!!!!

Sender: +13108737937

Time: 03/30/19 10:17:23 AM (575659043)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: D4E23F4E-17DA-4C51-A871-FC2C8349C181

Message: 100%

Sender: [redacted]

Time: 03/30/19 10:17:30 AM (575659050)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: D7C80AEF-CCC0-4872-BCF1-918177A50B0C

Message: Will have so much fun

Sender: [redacted]

Time: 03/30/19 10:17:40 AM (575659060)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: A42AA571-1506-4876-B84A-79767BE6AEEA

Message: Who is the guy in the pic?

Sender: e:jeeitunes@gmail.com

Time: 03/30/19 10:56:22 AM (575661382)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2C7D57A2-23DD-4592-BE3E-6417BEA36F94

Message: Jacques Lang

Sender: e:jeeitunes@gmail.com

Time: 03/30/19 11:00:55 AM (575661655)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0D7D4B15-6BC5-499F-82A0-E4B7C4660557

Message: Or do you mean me

Sender: [redacted]

Time: 03/30/19 11:02:58 AM (575661778)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 528DA9F9-C847-465F-81EA-DEFB5612BC8E

Message: Both!

Sender: e:jeeitunes@gmail.com

Time: 03/30/19 02:55:13 PM (575675713)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: AB712E15-4C96-4CE5-B00F-1EF917427824

Message: What will you do for your birthday

Sender: [redacted]

Time: 03/30/19 03:02:26 PM (575676146)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: B4A3FDA1-5719-4D53-9F75-B435B47179FC

Message: In north salem with Jordan maya and clay... mommy and poppy in the city with grandma

Sender: [redacted]

Time: 03/30/19 03:02:36 PM (575676156)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: B61FBB55-141B-4F4A-8435-54A3C4BCB295

Message: I'm having 25 friends over for dinner tomorrow night

Sender: e:jeeitunes@gmail.com

Time: 03/30/19 03:04:50 PM (575676290)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 1F20AA63-18BA-4F9D-90BB-81D7DD37F845

Message: Yum

Sender: e:jeeitunes@gmail.com

Time: 03/31/19 08:29:37 AM (575738977)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 89C400A3-9119-4E79-A856-0050AABA5BEB

Message: Having a good day?

Sender: [redacted]

Time: 03/31/19 08:34:58 AM (575739298)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: FF1275F0-4FDF-4C9B-A56F-84BFE5313DBB

Message: Great day :)

Sender: e:jeeitunes@gmail.com

Time: 03/31/19 10:01:19 AM (575744479)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: B96D106F-F5C2-401A-8DC6-0ED71F54F3EC

Message: Glad

Source Entry: H\Macintosh HD\root\Users\jee\Library\Messages\Archive\2019-05-20\[redacted] on 2019-05-17 at 11.41.39.ichat

Service: iMessage

Start Time: 05/09/19 05:55:44 PM (579142544)

End Time: 05/20/19 07:32:56 PM (580098776)

Last Message ID: 29287

Chat Room:

Participants: jee, [redacted]

Presentity IDs: e:jeeitunes@gmail.com, [redacted]

Messages -

Sender: [redacted]

Time: 05/09/19 05:55:44 PM (579142544)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 63BB99BF-67BC-434B-897E-A843740359D2

Message: https://nypost.com/2019/05/09/billionaire-pedophile-jeffrey-epstein-illegally-building-virgin-islands-compound/

Sender: e:jeeitunes@gmail.com

Time: 05/09/19 06:39:40 PM (579145180)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 48F65572-C11F-41BA-9C43-06E198F24EE7

Message: Underwater office ? How nuts are these people

Sender: e:jeeitunes@gmail.com

Time: 05/09/19 06:45:48 PM (579145548)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 88467E2A-6405-4C42-99F8-E2353C723826

Message: Have you seen the tv episode fbi - bain the rascist

Sender: [redacted]

Time: 05/09/19 08:59:32 PM (579153572)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 18C93019-0A20-4122-A8F6-AB4F70DE3F1B

Message: No

Sender: e:jeeitunes@gmail.com

Time: 05/09/19 11:13:19 PM (579161599)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5B61BCDF-A4C0-436D-9865-003A024A28C5

Message: Fbi episode 12

Sender: e:jeeitunes@gmail.com

Time: 05/10/19 07:29:20 AM (579191360)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D11787BD-AE30-4714-98D4-3465A28EBB00

Message: <Unsupported Message Content>

Sender: [redacted]

Time: 05/10/19 07:35:05 AM (579191705)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: D8778A37-CF16-4695-9024-25D0837D62B3

Message: Wow-- not cool

Sender: e:jeeitunes@gmail.com

Time: 05/10/19 07:35:29 AM (579191729)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 91603FE0-A9EB-44E8-B8E6-88BE55832C2B

Message: Download. And see how very very not cll

Sender: e:jeeitunes@gmail.com

Time: 05/10/19 07:35:32 AM (579191732)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 82DFD3FE-C124-4B94-BF0C-2E2D0C01A4EC

Message: cool

Sender: e:jeeitunes@gmail.com

Time: 05/10/19 07:36:54 AM (579191814)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 587F38EE-AE00-4400-9A23-0288AAAA4537

Message: Clearly - you , protest signs . School views and all

Sender: e:jeeitunes@gmail.com

Time: 05/10/19 08:11:05 AM (579193865)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F75476DA-C910-49B4-A182-910649C77BE8

Message: Fyi, just got a call from James Watson. Who said he wanted to let me know that he made 91 years old , if nothing else to stick it in the face of those that hoped he and his unpleasant facts would have died

Sender: [redacted]

Time: 05/10/19 09:00:47 AM (579196847)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: A05B9C54-393D-4ABF-B6CC-C6ADAFEC7B8D

Message: Wow

Sender: [redacted]

Time: 05/10/19 09:00:59 AM (579196859)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 8E4FEB8A-1593-4ACF-B9A0-39A12E4E605E

Message: Is he in good enough shape for us to film??

Sender: e:jeeitunes@gmail.com

Time: 05/10/19 09:01:08 AM (579196868)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C0A842A8-2EE7-4624-B39B-986D164FE6B0

Message: Think so

Sender: [redacted]

Time: 05/10/19 09:19:21 AM (579197961)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 66ACCF7F-BEF6-42FF-90EA-00FE84AA8BC2

Message: Where does he live ???

Sender: e:jeeitunes@gmail.com

Time: 05/10/19 09:22:37 AM (579198157)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 1D2168E1-84DE-4928-9890-2F78EF90DF39

Message: Ny

Sender: e:jeeitunes@gmail.com

Time: 05/10/19 01:37:10 PM (579213430)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 24152FAE-4862-4956-8CA2-0B6259EE674A

Message: http://fortune.com/2019/05/10/china-stock-market-trump-trade-tariffs/

Sender: e:jeeitunes@gmail.com

Time: 05/10/19 07:51:55 PM (579235915)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: C02B6D6E-5826-4F98-BEF5-63798EAC5103

Message: https://www.reuters.com/article/us-usa-iran-shipping/u-s-warns-merchant-ships-of-possible-iranian-attacks-in-middle-east-idUSKCN1SG1MX

Sender: e:jeeitunes@gmail.com

Time: 05/10/19 11:42:57 PM (579249777)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8B2BF3AF-D906-459A-8A70-D03EB4E69D74

Message: Are your meetings set

Sender: [redacted]

Time: 05/11/19 04:09:44 AM (579265784)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: BD4A442C-D233-4259-8CB3-695FF0C940B6

Message: Yes-- Terje before and afterward and with them Sunday afternoon

Sender: e:jeeitunes@gmail.com

Time: 05/11/19 04:15:05 AM (579266105)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D95E1BBC-E091-40A1-80EF-44DB53204228

Message: I suggest focus on Europe . Salvini orbahn, movement.etc very Mild- cassens likely to get HUGE judgement but will take time and bad press along the way . Stay away from ... . I want you to be seen as trusted advisor rather than spook

Sender: e:jeeitunes@gmail.com

Time: 05/11/19 04:16:24 AM (579266184)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 6542C8B6-2DC9-44D6-92E1-D91407EF9775

Message: Recall you are their worst nightmare. - working class in their country , no rights. zilch

Sender: e:jeeitunes@gmail.com

Time: 05/11/19 04:18:12 AM (579266292)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5163718F-A8D1-43BD-AC71-B16A876E3C29

Message: Their focus is Iran, and finding money

Sender: e:jeeitunes@gmail.com

Time: 05/11/19 07:42:22 AM (579278542)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 173CB026-4E46-47A6-853B-A0181D6F1A3F

Message: https://www.nbcnews.com/news/world/u-s-sending-patriot-missile-system-another-warship-middle-east-n1004616

Sender: [redacted]

Time: 05/11/19 08:05:53 AM (579279953)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 052F2417-2F01-4D73-BB4D-98DCFA46FEF3

Message: Got it

Sender: e:jeeitunes@gmail.com

Time: 05/11/19 08:06:58 AM (579280018)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5B662794-6CCB-4C7A-B09E-4978582C8B03

Message: You can give him insight into pompeo and bolton

Sender: [redacted]

Time: 05/11/19 08:10:24 AM (579280224)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: B540FD69-C520-41D4-A196-B967F5BDE205

Message: Easy

Sender: e:jeeitunes@gmail.com

Time: 05/12/19 03:49:31 AM (579350971)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 82737589-4BF6-49CD-8750-7BF7C6EFB5AE

Message: Norway fun?

Sender: [redacted]

Time: 05/12/19 03:50:25 AM (579351025)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 44411F96-17A0-4114-B760-F733F005FD39

Message: Incredible, very bizarre how I was greatest by the right-- pretty amazing

Sender: [redacted]

Time: 05/12/19 03:51:25 AM (579351085)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 868CBBF4-80EB-4001-9E76-4E9AA1EE1AF4

Message: http://www.chinadaily.com.cn/a/201905/12/WS5cd7024da3104842260bb23f.html

Sender: [redacted]

Time: 05/12/19 03:51:25 AM (579351085)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 9E3FD0F0-3D52-413D-9CC5-48DF0EB7C624

Message: There was never a deal to do

Sender: e:jeeitunes@gmail.com

Time: 05/12/19 03:58:25 AM (579351505)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8AB1611B-0E31-49A8-9E6F-8D92DDBD2396

Message: You guys think theyre smart. . the talk in fortune cookie language. And wash Is mesmerized . Silly The purpose decides everything," Liu said, in English.

Sender: [redacted]

Time: 05/12/19 03:59:00 AM (579351540)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 18717417-6F40-45F4-A106-AB4FEE8BC448

Message: we will now break them-- watch

Sender: e:jeeitunes@gmail.com

Time: 05/12/19 03:59:56 AM (579351596)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 299EFAA9-3011-41B9-9A49-0DFBC16AD866

Message: Now you and WWF . Systems don't break . Things do

Sender: e:jeeitunes@gmail.com

Time: 05/12/19 04:04:27 AM (579351867)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: A8D4E9E5-D687-4AF1-99F4-A42B09389DA3

Message: They have North Korea, 3 trillion in reserves. People that work 29 hours per day. A command structure that is efficient. Not sure what breaking them means. They will give in , after making many new friends.

Sender: e:jeeitunes@gmail.com

Time: 05/12/19 04:04:57 AM (579351897)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 4E37644A-EAD5-4ECE-AFEA-68C646DA83F0

Message: And focusing on trade is a diversion that they love

Sender: [redacted]

Time: 05/12/19 04:05:47 AM (579351947)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: A9836CBB-7CAC-45AF-B021-DD4F47172FB3

Message: Its a group of peasants trying to run a world economy-- Xi barely has high school education , completely panicked when they read thru the deal-- already leaking oil

Sender: e:jeeitunes@gmail.com

Time: 05/12/19 04:07:00 AM (579352020)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2FED936E-36AE-4D1A-8A7B-F0412E051F7F

Message: My meeting the other day was around how these peasants looked into their own systems , found the nsa cybertools that we had inserted and then used them against us interests. .

Sender: e:jeeitunes@gmail.com

Time: 05/12/19 04:08:01 AM (579352081)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F994D468-C98F-462F-B33F-4E6C4D853033

Message: ohh. Yes. , I forgot. We have Steve Mnuchin , and ludlow , ")

Sender: [redacted]

Time: 05/12/19 04:09:31 AM (579352171)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 89942DAE-2A75-4F7A-B9DB-EDD05FCB9A78

Message: They are perfect IT automatons I get that-- can't make complicated decisions under pressure-- the key to victory-- think midway

Sender: e:jeeitunes@gmail.com

Time: 05/12/19 04:11:46 AM (579352306)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8E135DFD-B5AE-4146-8B12-0F1FCF8D9770

Message: Yes when midway occurred they were still eating rats for breakfast. Literally . I guess you could argue ,we broke the whole neighborhood. . South Korea , Japan and china / . Long game

Sender: e:jeeitunes@gmail.com

Time: 05/12/19 04:13:28 AM (579352408)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 6184704C-91ED-47AB-9949-4635CD6E0E07

Message: They sent their soldiers to be educated by us, took our money, our tech, and look back to midway with a smile

Sender: e:jeeitunes@gmail.com

Time: 05/12/19 04:14:13 AM (579352453)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E7C64712-1B66-4C48-A0F3-C06214DCF45F

Message: Always show weakness , exagerate it. First chapter art of war

Sender: e:jeeitunes@gmail.com

Time: 05/12/19 04:15:12 AM (579352512)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: BD2F8564-6EA0-4997-9EC7-892D5C4D132E

Message: That's why a military display makes sense. Let them and others see, daddys. Spanking paddle

Sender: e:jeeitunes@gmail.com

Time: 05/12/19 04:16:02 AM (579352562)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 78C81316-4D0C-40E9-9EAD-384F3FE7556B

Message: And its willingness to use it

Sender: e:jeeitunes@gmail.com

Time: 05/12/19 09:56:18 AM (579372978)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: A8704703-CE95-4170-94D0-ADE49261AB28

Message: Fun?

Sender: [redacted]

Time: 05/12/19 10:12:17 AM (579373937)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: A242CC2C-DF86-4D55-A3A4-36B8E4870E9E

Message: Smart guy-- he was one of the guys who pulled Riyadh off

Sender: e:jeeitunes@gmail.com

Time: 05/12/19 10:13:29 AM (579374009)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D57F68DC-C068-4B7F-AA07-2E77361E6642

Message: ?

Sender: e:jeeitunes@gmail.com

Time: 05/12/19 10:27:41 AM (579374861)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 11991174-63A2-40A0-AB99-F5C50DCFD66D

Message: You received high marks

Sender: e:jeeitunes@gmail.com

Time: 05/12/19 02:15:25 PM (579388525)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 50A88B9E-CDF6-4C3A-AA74-34B157A18C05

Message: https://twitter.com/sethabramson/status/1127655868164714505?s=21

Sender: +13108802851

Time: 05/12/19 11:53:28 PM (579423208)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 5DD748B1-4E29-47F9-A57B-8F1D1089A22B

Message: High marks??

Sender: [redacted]

Time: 05/13/19 01:34:09 AM (579429249)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 79EC79B6-3169-4D72-875D-134736C420D9

Message: Let me know when u can catch up

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 03:02:13 AM (579434533)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 6EBCFA3A-AFC1-4466-A7DA-BBDF3C27FAB9

Message: Free now?

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 03:04:11 AM (579434651)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8499461C-1811-4479-A492-6D91229ABB81

Message: These trade conversations are now part of the backdrop of global markets for the next ... 10 to 20 years as these countries and economies work out their relative place in the world and how we reorder the overall global structure to account for the rise of China, to account for a multi-polar environment," he said.

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 03:06:45 AM (579434805)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: BB9E7FD0-FF65-4463-A9E7-C1C4C74BE462

Message: Ill call you from a strange number. , just give me a time

Sender: [redacted]

Time: 05/13/19 03:17:30 AM (579435450)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 0E943CB0-55BB-4413-88D2-9A226D7E10B0

Message: We are going to break china

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 03:28:00 AM (579436080)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 48095CF7-55BF-4985-B9A3-DD83231319F7

Message: sounds like the WWF . -- . how will you know you are winning? Or have won / Interest rates down now . Better than a rate cut. - still waiting for my dollar. dude. The system is not a machine. Beware Old thinking. . now politics . Markets, cyber. Create Network effects,

Sender: [redacted]

Time: 05/13/19 03:31:11 AM (579436271)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: AE2EC51E-632E-4619-ABFE-2EE1987AF1A4

Message: When Xi and Wang Qishan are removed or step down-- break the radical cadre , install our guys, wreck havoc on all collaborators in the West

Sender: [redacted]

Time: 05/13/19 03:31:36 AM (579436296)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 767E36DE-0C3D-46E5-AC8C-F066F01A5EF1

Message: America the global Hegemon for 100 years

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 03:38:07 AM (579436687)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 1BE46ECB-00BE-4B6B-928E-3476D49F9B43

Message: Ok, so if I understand, you want to win by knock out or tko. Their system is brittle. You guys should decide if trade a huge slow moving sledge hammer is the best way

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 03:38:29 AM (579436709)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0AA46CB2-5CF1-4FEC-A8A8-0C94C9A817F5

Message: When should i call . \

Sender: [redacted]

Time: 05/13/19 03:41:19 AM (579436879)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 052CD276-7266-4F20-98D5-B69DF841213B

Message: Now is cool-- call on 310.990.6526

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 04:31:55 AM (579439915)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F68F6A4D-C7E0-4B48-BA83-898B2143CB11

Message: Austria. No go . Too hot

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 04:32:50 AM (579439970)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: FD24E05B-A085-4D69-98BD-9A3193F06C39

Message: Did you tell Norwegians that the child murderer. Was a lefty radical?

Sender: [redacted]

Time: 05/13/19 04:47:07 AM (579440827)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: A8554A99-FB75-4D87-BB93-4F4FD8C98195

Message: Yes yes yes : went over well!!!

Sender: [redacted]

Time: 05/13/19 04:47:48 AM (579440868)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 397B3B3C-2CBF-4125-8D82-7C051BE1585C

Message: Eco-Fascist

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 04:47:57 AM (579440877)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2E4F4CB6-81BD-4A43-89E5-DD28D97A8DE0

Message: Though he gave a nazi salute

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 04:48:55 AM (579440935)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 67269689-77F2-41C2-80BE-70BA0DD5E4FE

Message: As well as saying the difference between jews and pizza , is that the pizza doesn't scream when you throw it in the oven

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 05:39:58 AM (579443998)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 9B73413B-761B-4864-8440-13DF8F0B25B6

Message: https://www.nytimes.com/2019/05/07/world/europe/austria-far-right-freedom-party.html

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 05:39:58 AM (579443998)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C876C203-D3B7-405F-98E5-361FD45C6AF1

Message: whoopsie

Sender: [redacted]

Time: 05/13/19 05:46:41 AM (579444401)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 09CE1E98-5A05-417B-9B1A-6AF071C35112

Message: Yes he is NOT a role model

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 05:47:09 AM (579444429)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 66ECF2C5-7689-438F-A572-C740933A5578

Message: https://www.washingtonpost.com/world/middle_east/two-saudi-oil-tankers-attacked-in-the-persian-gulf-amid-rising-iran-tensions/2019/05/13/c8907108-755e-11e9-bd25-c989555e7766_story.html?noredirect=on&utm_term=.2fbcab4b5787

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 05:47:24 AM (579444444)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: AE14B40C-859A-4445-A827-DEC6B3721BAD

Message: □

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 06:29:19 AM (579446959)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 89E4ACB2-837A-44C7-BC95-CC46FD6AB8D0

Message: https://thehill.com/policy/defense/443345-pompeo-skips-planned-trip-to-moscow

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 07:01:31 AM (579448891)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0E61A72E-9D11-48B7-AAC8-FE02578AE0E3

Message: bannon squirrel

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 08:44:35 AM (579455075)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 4FB7F213-1857-43D7-9730-B3A0EEA336BE

Message: If someone can send the last filming ?

Sender: e:jeeitunes@gmail.com

Time: 05/13/19 09:28:15 AM (579457695)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 3074497A-9873-4B97-BAB3-7C7690E751B5

Message: https://www.nytimes.com/interactive/2019/05/13/us/politics/trump-investigations.html?action=click&module=Latest&pgtype=Homepage

Sender: e:jeeitunes@gmail.com

Time: 05/14/19 03:56:59 AM (579524219)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 12F56A47-ABFA-4B14-9342-671F1D896B16

Message: It singled out an interview that Larry Kudlow, Trump's top economics adviser, gave to "Fox News Sunday" in which he said that US consumers would also suffer from the trade war, contradicting Trump's claim that China would singlehandedly foot the bill.

Sender: e:jeeitunes@gmail.com

Time: 05/14/19 04:15:42 AM (579525342)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 9D68D5AB-8099-488F-B125-02E31F9367E8

Message: https://www.politico.com/story/2019/05/14/barr-prosecutor-russia-probe-origins-1319878

Sender: e:jeeitunes@gmail.com

Time: 05/14/19 04:15:51 AM (579525351)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 41B58D60-26F9-4F38-A4C4-065E7A950DA6

Message: Sidney blumental will get subpoena

Sender: [redacted]

Time: 05/14/19 04:29:43 AM (579526183)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: ED4EA028-A6E0-464E-BD88-EC93852A2378

Message: https://news.yahoo.com/steve-bannon-cheering-trade-war-hopes-for-government-to-fall-in-china-090000259.html

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 03:02:51 AM (579607371)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: BC0CEBCB-04D3-4DFB-9658-CEAD53020151

Message: When are you bak?

Sender: [redacted]

Time: 05/15/19 03:06:47 AM (579607607)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 22BCA6B5-3611-4D7B-B2E3-CA51E86AA143

Message: Late May/June???

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 03:28:28 AM (579608908)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: AD3A24AE-9961-4F47-A4DF-30C713F1EE28

Message: No worry , I m on the ranch 27th. Barrs appt of prosecutor HUGE. . Iran wild , Saudi hosting next years g 20 . More opportunity

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 03:37:12 AM (579609432)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 8AEB0353-D97F-4D9D-AAE7-DF86DF464EE6

Message: https://www.nytimes.com/2019/05/15/us/politics/us-iraq-embassy-evacuation.html

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 06:12:25 AM (579618745)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E3198EC2-E58C-40D9-83F5-9485A3F2F3A2

Message: Cnbc interview. With tom Friedman on the verge of yelling hallehjuyah amen

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 06:12:31 AM (579618751)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: AE4DDA33-8E63-40BB-A208-8B68D4B53DC0

Message: great

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 11:31:20 AM (579637880)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2F50D35F-002C-43B9-AEA5-1B3AC246DAFB

Message: If someone thinks their own race and civilization is superior and insists on remolding or replacing other civilizations, it would be a stupid idea and disastrous act," Xi said. I think he was talking directly to you □

Sender: [redacted]

Time: 05/15/19 02:04:14 PM (579647054)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 69EE5124-FAF0-4443-80B0-08C9D026E2C0

Message: I'm just the last cab driver he talked with

Sender: [redacted]

Time: 05/15/19 02:05:12 PM (579647112)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 344D6E31-228A-43AD-AAB8-FBADF2B899FD

Message: Global Times just took their main editorial right @ me between the eyes

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 02:09:55 PM (579647395)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 564D0B14-5FC6-46E2-BEDB-A7FBA558DA8D

Message: saw it. trump prohibition on huawei better. .

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 02:10:38 PM (579647438)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 56A1354D-F1F5-4D77-BC2A-02D45ACA213F

Message: i did notice your comment about one belt one road giving them the nod to walk away □

Sender: [redacted]

Time: 05/15/19 02:11:34 PM (579647494)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 2B106AF8-835D-4EAF-839B-CDD5E393B8AB

Message: Trump about to announce jareds immigration plan on day he has china on the run

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 02:14:18 PM (579647658)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C0A582B2-F4CD-478C-9D5E-EAEED0C0875D

Message: let up on mexico and china. typical. - qatar worried re iran. . yemen at the heart of the trouble.

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 02:17:11 PM (579647831)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E247B5BB-7BAD-46FE-B11D-E609F95005DD

Message: libya in hiding with haftar . - canada not china

Sender: [redacted]

Time: 05/15/19 02:17:17 PM (579647837)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 1C440C1D-816F-4F1A-BCF6-E57C2BBBD1F7

Message: Qatar worried that their sponsor about to implode

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 02:17:36 PM (579647856)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: AF170AA0-9767-4ADC-B89B-5C387AE6CDF9

Message: not sponsor. partner

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 02:17:51 PM (579647871)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C95A5E3F-8B32-4ED4-B90E-8AA5235E4B5A

Message: oman wants to mediate

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 02:18:46 PM (579647926)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F08DFD32-F2D5-4F3E-AE45-814ED972A021

Message: houthi sponsor is iran. I love the idea that the g20 next year , hosted by MBS .

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 02:19:31 PM (579647971)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D9915182-D585-4CB0-A4A0-12F668499E21

Message: i wonder if the center pieces will be the " heads " of corporations :)

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 02:20:09 PM (579648009)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F299F01C-73BE-488C-A5AC-BBAEA9859554

Message: would give new meaning to want to be at the head table

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 02:22:42 PM (579648162)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: AEE2A05A-DDDB-44B1-8A5F-9F326938783E

Message: BTW currency markets super stable. sign china move right thing

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 02:41:17 PM (579649277)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: B5DCBB27-128E-4D0E-A5D8-9EC834E6139F

Message: looks like we share the same photo editor

Sender: [redacted]

Time: 05/15/19 04:25:09 PM (579655509)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: ED14F0D9-C34A-4ED9-BF60-08E0B45FA23B

Message: That's scary--- trump just needs to gut this out

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 04:30:14 PM (579655814)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 027486D0-17B9-4B3B-BB5C-B99B884A86F0

Message: Removing Iraq diplomats. Great move. Would dems prefer. Benghazi 2.0

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 04:31:29 PM (579655889)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 788E29DC-D480-497E-9AC9-E33CB1AF6810

Message: Someone on pompeo team should sit with mr evil.

Sender: e:jeeitunes@gmail.com

Time: 05/15/19 04:32:36 PM (579655956)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 883F8CEC-7415-4C92-AEB3-A53097DAADEE

Message: They will do a 180 on their sponsor in a heartbeat

Sender: e:jeeitunes@gmail.com

Time: 05/16/19 02:52:05 AM (579693125)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 5204EC9F-EB1D-4A51-9697-45B701F514BD

Message: https://www.foxnews.com/politics/pennsylvania-poll-biden-tops-trump-by-double-digits

Sender: e:jeeitunes@gmail.com

Time: 05/16/19 02:52:28 AM (579693148)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3B7BD4A1-23B8-465E-A453-FAC410BB5B8D

Message: Just when you thought you were out of the game. . how can they not pull you back in=

Sender: [redacted]

Time: 05/16/19 03:02:22 AM (579693742)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 5AE5D580-928E-484C-9D73-B3DD89BB20C3

Message: It's in chaos and full meltdown now---the internal polling shows worse--double digits in Pa; Michigan; Wisconsin plus losing AZ and Texas --- 375 electoral college defeat

Sender: e:jeeitunes@gmail.com

Time: 05/16/19 03:03:25 AM (579693805)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2BA44CBE-D65B-48A9-9C9E-FD958F603B3A

Message: And then Attica

Sender: e:jeeitunes@gmail.com

Time: 05/16/19 03:14:06 AM (579694446)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 1A657C1E-1C03-4B2A-A798-7FB730C7F47F

Message: That Alabama abortion bill will not bring lots of women to your side

Sender: e:jeeitunes@gmail.com

Time: 05/16/19 03:14:58 AM (579694498)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 9A6F67B6-F02E-4718-AF46-CD7FF792CB5E

Message: Though not my skill set.

Sender: e:jeeitunes@gmail.com

Time: 05/16/19 04:24:37 AM (579698677)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 386F64E1-1134-4C16-BB04-99274F257A71

Message: Deblasio. Presidential bid to be announced. □

Sender: e:jeeitunes@gmail.com

Time: 05/16/19 04:24:49 AM (579698689)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5F9D9B5D-A723-46B1-8AF3-4FD5AA276673

Message: Isn't it nice having know this months ago

Sender: e:jeeitunes@gmail.com

Time: 05/16/19 06:21:50 AM (579705710)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C4E0356A-B8F8-4264-9DEA-564C8BC13F65

Message: Your girl is Paris

Sender: [redacted]

Time: 05/16/19 08:37:54 AM (579713874)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 90CE5539-9E2B-4626-A5D5-F6EFF60DC77A

Message: What!

Sender: e:jeeitunes@gmail.com

Time: 05/16/19 08:45:34 AM (579714334)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8D823791-FD66-4B9D-B660-C6D0E1F962BD

Message: are you there - ?

Sender: [redacted]

Time: 05/16/19 11:25:07 AM (579723907)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 0091F3F8-3756-4A1F-8160-B8217DFD9EA5

Message: Yes : been with Front Nationale all day-- about to deliver a death blow to Macron

Sender: e:jeeitunes@gmail.com

Time: 05/16/19 11:42:02 AM (579724922)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3113A7FA-45F9-4DDD-B276-D3ECE9F6A7F5

Message: Are you in Paris?

Sender: [redacted]

Time: 05/16/19 01:13:58 PM (579730438)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 470E5EED-7F3A-4427-A4A6-FD457FCECE2D

Message: Yes

Sender: e:jeeitunes@gmail.com

Time: 05/16/19 01:35:28 PM (579731728)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 1530D532-38FB-4F5F-B3E8-9362D797BBD9

Message: trumps financials are a lol. no liabilities need to be disclose if they are in the biz or payable to a family member. . there's the scam . funny

Sender: e:jeeitunes@gmail.com

Time: 05/16/19 01:48:09 PM (579732489)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5E350A54-1F18-4ADA-A273-74C409088B51

Message: do you have for a coffee or meal with our girl . ?

Sender: [redacted]

Time: 05/16/19 02:06:14 PM (579733574)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 767C657A-3D79-4220-B60F-DEE77F3D3659

Message: Would love to either -- she is in town

Sender: e:jeeitunes@gmail.com

Time: 05/16/19 02:07:11 PM (579733631)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C01C417D-3F29-4805-893C-64986E853612

Message: yes she's agreed

Sender: e:jeeitunes@gmail.com

Time: 05/16/19 02:07:30 PM (579733650)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 575DE98C-7962-46D1-A538-40931D456790

Message: not only do i do f and b , but now a matchmaker

Sender: e:jeeitunes@gmail.com

Time: 05/16/19 02:20:32 PM (579734432)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 1A15CD09-197F-42F7-B693-13851FDEAD42

Message: Its like Bogart and Hepburn on the African queen

Sender: e:jeeitunes@gmail.com

Time: 05/16/19 02:21:09 PM (579734469)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 7482768A-D0CB-42BB-9FC9-69C7CDFB02A8

Message: 202 669 7405

Sender: [redacted]

Time: 05/16/19 02:58:11 PM (579736691)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 71AEA806-50CB-4677-ADD2-3E2DF6BDD09D

Message: She is way too classy for me-- plus it would end her professionally

Sender: [redacted]

Time: 05/17/19 04:02:15 AM (579783735)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: C40630C9-5343-4FEC-B121-4369515543D9

Message: Did u drop by?

Sender: [redacted]

Time: 05/17/19 08:38:09 AM (579800289)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: BCC59371-150D-4FFA-B214-B2D4AD0C9DBF

Message: You r wrong on this one

Sender: e:jeeitunes@gmail.com

Time: 05/17/19 08:39:11 AM (579800351)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C3ECE921-AA91-4EC0-936A-797291DE2133

Message: You are not getting out of paying your dollar . . forget it □

Sender: e:jeeitunes@gmail.com

Time: 05/17/19 08:41:39 AM (579800499)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2042227C-3112-4AF9-8F9F-F71A0C663F8A

Message: I just went through my reasoning with someone in the know. And they said. Oy !!!

Sender: e:jeeitunes@gmail.com

Time: 05/20/19 07:32:56 PM (580098776)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: A5A1C398-9F92-4F2D-85C6-0A2D7ADAAC4E

Message: I watched your interview. my china intelligence is that they want a crisis. Maybe stop selling silicon. . more when I see you

Source Entry: H\Macintosh HD\root\Users\jee\Library\Messages\Archive\2019-06-11\[redacted] on 2019-06-02 at 07.37.48.ichat

Service: iMessage

Start Time: 06/02/19 04:32:25 AM (581167945)

End Time: 06/11/19 06:27:28 PM (581995648)

Last Message ID: 30555

Chat Room:

Participants: jee, [redacted]

Presentity IDs: e:jeeitunes@gmail.com, 13109906526

Messages -

Sender: [redacted]

Time: 06/02/19 04:32:25 AM (581167945)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: EFB3A6DD-BE94-4090-AFCE-B571688EEE6C

Message: We got some great material yesterday

Sender: e:jeeitunes@gmail.com

Time: 06/02/19 04:34:57 AM (581168097)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3BB7DB9C-F08A-435C-BFFB-3EFE5B88F7A2

Message: let me know your schedule and if you want to come to the island next weekend would be perfect. and i would fly you guys back in addition I've told dan to send darren an invoice for 100k . I don't like you laying out money

Sender: [redacted]

Time: 06/02/19 04:36:56 AM (581168216)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 8A19F7A4-32F6-465D-BE4A-33C07406C8A6

Message: Let me make the overall deal with darren-- don't want to do this piecemeal -- I've already got my 2 other shooters and editors off on other projects and need to get back-- key now is getting the entire 'cast'

Sender: e:jeeitunes@gmail.com

Time: 06/02/19 04:37:48 AM (581168268)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: BD21ED2F-4A44-4271-919F-76715FD36F5E

Message: ok, as you wish.

Sender: [redacted]

Time: 06/03/19 02:10:16 AM (581245816)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: B8EA6F7E-065F-4685-8799-ACE315E285A9

Message: https://unherd.com/2019/05/the-hypocrisy-of-the-woody-allen-haters/

Sender: e:jeeitunes@gmail.com

Time: 06/03/19 03:09:34 AM (581249374)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D5A0BEC4-DC32-429E-BC3B-24300BDE3478

Message: should darren send his letter to burke. ? or which lawyer for you , your company and crew.

Sender: [redacted]

Time: 06/03/19 04:22:12 AM (581253732)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 45B9B81D-4885-4683-9E0B-64C1CC330B29

Message: What letter ???

Sender: e:jeeitunes@gmail.com

Time: 06/03/19 04:22:45 AM (581253765)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 521CC565-61B6-4125-9392-B1D1BDFF0F31

Message: the engagement for litigation services

Sender: [redacted]

Time: 06/03/19 04:23:49 AM (581253829)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: A6604B1C-D05C-4273-B0DA-055E033AA689

Message: My main lawyer handles all that , I will sort out

Sender: e:jeeitunes@gmail.com

Time: 06/03/19 04:24:14 AM (581253854)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: B279CB5E-8DC6-4098-9FA1-45FBB1A4C056

Message: I meant the follow up to the original .

Sender: e:jeeitunes@gmail.com

Time: 06/03/19 04:24:58 AM (581253898)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 264238E8-632C-483B-AF01-A254F842BF8D

Message: btw, the real estate developers are blowing up, no chinese buying luxury . no russians no brazilians the market is frozen

Sender: [redacted]

Time: 06/03/19 04:30:20 AM (581254220)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: F47ACFDD-C366-4321-A3C5-C158C0E565AD

Message: They better pray for the freeze because when it unfreezes it will crater

Sender: e:jeeitunes@gmail.com

Time: 06/03/19 04:31:53 AM (581254313)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 65ED1CA1-350C-4DD8-8A64-D3F72E1E1736

Message: it could. new york taxes high. now non dependable as country of safety. timing for brexit is perfect. london will skyrocket.

Sender: e:jeeitunes@gmail.com

Time: 06/03/19 04:32:05 AM (581254325)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: B2697EA1-F311-4296-8AD6-712229454E95

Message: i don't care whether financials leave.

Sender: e:jeeitunes@gmail.com

Time: 06/03/19 04:32:29 AM (581254349)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0BEB632C-1732-4D82-9A7B-2D75C61F4A2A

Message: once they are gone the monarchy is dependable

Sender: e:jeeitunes@gmail.com

Time: 06/03/19 04:32:47 AM (581254367)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 31B4A6C6-763F-4AFC-9C88-6D1A6971F50E

Message: prince andrew and trump today. tooo funny.

Sender: e:jeeitunes@gmail.com

Time: 06/03/19 04:33:33 AM (581254413)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 598FFB31-BFD6-4596-978B-05757CCA4CC6

Message: recall prince andrews accuser came out of mara lago

Sender: [redacted]

Time: 06/03/19 04:33:38 AM (581254418)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: FB3775EE-AF53-4FC2-A299-D3134D17ACDD

Message: Can't believe nobody is making u the connective tissue

Sender: e:jeeitunes@gmail.com

Time: 06/03/19 04:33:55 AM (581254435)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 58C8D8EF-18E1-495C-882C-BD7C0441C2FF

Message: f and b only

Sender: [redacted]

Time: 06/03/19 04:51:30 AM (581255490)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: C44E3396-B79D-478E-B5DC-C562CADC6DB3

Message: Exactly

Sender: e:jeeitunes@gmail.com

Time: 06/03/19 03:13:13 PM (581292793)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 0DD36853-3BA5-40AF-B563-B9BE099D7CF8

Message: https://www.cnn.com/2019/06/03/politics/george-nader-mueller-witness-child-pornography-charges/index.html

Sender: [redacted]

Time: 06/03/19 03:28:04 PM (581293684)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 903FC451-13D8-4F52-8CF4-3F6E770693B7

Message: Not cool

Sender: e:jeeitunes@gmail.com

Time: 06/03/19 03:33:07 PM (581293987)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 00ED3704-0ACD-4572-A986-0F35E2D92272

Message: Mandatory minimum 15

Sender: [redacted]

Time: 06/03/19 03:37:41 PM (581294261)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: CA715062-8500-44BC-B1FE-02D6772DE4A6

Message: MBZ must have coughed him up

Sender: e:jeeitunes@gmail.com

Time: 06/03/19 03:38:24 PM (581294304)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3C24B49E-E8F7-4412-AF29-3C55A313C0E9

Message: Nope

Sender: [redacted]

Time: 06/04/19 05:03:27 AM (581342607)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 2E588127-F3B8-4107-A6A2-BAC64FF76698

Message: How did he get extradited ?-- could have stayed in UAE forever

Sender: e:jeeitunes@gmail.com

Time: 06/04/19 05:28:51 AM (581344131)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: B163FC86-218C-4881-A79B-93177342E17C

Message: He was not extradited .

Sender: e:jeeitunes@gmail.com

Time: 06/04/19 05:29:32 AM (581344172)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D63D4828-E37D-482E-AC01-C33CCF552263

Message: He was duped

Sender: [redacted]

Time: 06/04/19 05:41:45 AM (581344905)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 14BDDBCC-F0F1-4FEF-8812-B4C429E4D6DA

Message: WTF

Sender: e:jeeitunes@gmail.com

Time: 06/04/19 05:45:59 AM (581345159)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 796D3921-DA7A-42D2-8C62-FABF9BDC4858

Message: There is his bail hearing today. Doesn't look good. Pre trial detention . Currently in Brooklyn

Sender: e:jeeitunes@gmail.com

Time: 06/04/19 05:46:27 AM (581345187)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 7D4DBDF8-E0CA-4C35-AF79-2C5CCF3A5D57

Message: Can you imagine. He actually , literally , had pictures of some kid fucking a goat. . true~~!!!

Sender: [redacted]

Time: 06/04/19 06:46:04 AM (581348764)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: AF30509E-D3F3-4846-89FB-2BF87496BE9B

Message: He just came into the country!!

Sender: [redacted]

Time: 06/04/19 07:21:34 AM (581350894)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 7DFE08D7-E374-487E-AAF1-A884A1ABFCF8

Message: Any update on our cast???

Sender: e:jeeitunes@gmail.com

Time: 06/04/19 07:50:59 AM (581352659)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 787A2D59-F5B0-4125-B619-75C49ADBD839

Message: Government wants to consider timing and how to control press

Sender: [redacted]

Time: 06/04/19 08:11:43 AM (581353903)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 44D72219-B809-4DC9-BDD0-570F5E6D3E78

Message: Fine : but we have a cast we can film sometime late summer / sept???

Sender: e:jeeitunes@gmail.com

Time: 06/04/19 09:15:54 AM (581357754)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3F8189F4-F3F8-4E97-A601-DF7DF5FC8547

Message: Government sensitive to exploitation

Sender: e:jeeitunes@gmail.com

Time: 06/04/19 09:16:10 AM (581357770)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5F7A6742-F121-44DE-8920-B6E652922C0D

Message: But probably yes

Sender: [redacted]

Time: 06/04/19 09:17:09 AM (581357829)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 7F0A593D-B488-4C63-9669-C88E69012A33

Message: Exploitation!!!!

Sender: e:jeeitunes@gmail.com

Time: 06/05/19 03:24:30 AM (581423070)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: FF6AE7B3-18C1-4C80-B1F5-2712BCB2C3AE

Message: https://www.rawstory.com/2019/06/trump-white-house-author-michael-wolff-steve-bannon-has-knowledge-of-trumps-crimes-and-obstruction-of-justice/

Sender: [redacted]

Time: 06/05/19 04:19:54 AM (581426394)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 8CC631A2-31C8-410F-B3BF-B60B36A014AF

Message: What an asshole

Sender: e:jeeitunes@gmail.com

Time: 06/05/19 04:24:03 AM (581426643)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 80360F9F-1003-4EB9-9539-D400E5071511

Message: UGH!!!

Sender: [redacted]

Time: 06/05/19 04:24:39 AM (581426679)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 908EE03F-F18D-437A-9BDF-8C3D780EDA39

Message: Why is he doing this ---its total bs

Sender: e:jeeitunes@gmail.com

Time: 06/05/19 04:41:27 AM (581427687)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 39493758-DE64-4323-9A46-2FCEF8CA35DE

Message: He is getting pummeled by these female talking heads. And reacts with flailing

Sender: [redacted]

Time: 06/05/19 04:42:12 AM (581427732)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 4B1A76AC-F926-48D0-8884-BE83253724BA

Message: BBC crushed him-- he should give it up -- book is going to be a stiff

Sender: e:jeeitunes@gmail.com

Time: 06/05/19 04:43:14 AM (581427794)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0AD1F762-8BB1-4A78-A93A-3EE5D253C178

Message: I don't know if he senses that. So he is grasping for attention and being soo defensive and weak . That they smell blood.

Sender: e:jeeitunes@gmail.com

Time: 06/05/19 04:43:59 AM (581427839)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D1A34052-63B7-455D-A76C-923FFD500DDA

Message: Unfortunately I do know that his comments have encouraged some to look to you for answers

Sender: [redacted]

Time: 06/05/19 04:44:28 AM (581427868)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: D3A057F8-E3E2-472B-8B4E-A7C77A5D282C

Message: He phoned it in ; its obvious ; and they hate the fact he has made so much money

Sender: [redacted]

Time: 06/05/19 04:44:56 AM (581427896)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 605866D9-45BD-4F7B-9727-C93E1BE4015E

Message: Burck says I have zero to worry about

Sender: e:jeeitunes@gmail.com

Time: 06/05/19 04:53:50 AM (581428430)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: A3A6D01C-6A01-4F56-A6FA-3A832D2411B2

Message: Good but unnecessary should I call mike

Sender: [redacted]

Time: 06/05/19 04:54:37 AM (581428477)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: BB4E033A-757F-4AD2-BA26-857D671EA963

Message: What are you going to say to him-- he is like a wild animal caught in a trap

Sender: e:jeeitunes@gmail.com

Time: 06/05/19 04:58:47 AM (581428727)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 112FF456-78DB-4E67-A2D6-E9B0EB32545B

Message: Catch his breath. Measured response s

Sender: [redacted]

Time: 06/05/19 04:59:24 AM (581428764)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 572FD397-638B-48BB-B78D-BE0C03237A48

Message: Tell him to lay off me--it's both NOT working and NOT helping

Sender: e:jeeitunes@gmail.com

Time: 06/05/19 05:00:41 AM (581428841)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2A05932E-421C-4BB2-974B-033C845E4C55

Message: Ok

Sender: e:jeeitunes@gmail.com

Time: 06/05/19 08:59:35 AM (581443175)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 10333FA5-E222-4BDB-BDDD-25888D092988

Message: done.

Sender: [redacted]

Time: 06/05/19 09:00:01 AM (581443201)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: AE194458-DCA9-4F71-A21D-05EE2EA34B61

Message: Great

Sender: e:jeeitunes@gmail.com

Time: 06/05/19 09:13:12 AM (581443992)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 158BE5FB-0A22-49A9-B012-FE422AAFF6B1

Message: Report from London . Donald now thinks he is king Ivanka a princess. He doesn't need advisors. Expecially generals that held him back . They are too narrow

minded. He only wants employees. As you had predicted last year

Sender: [redacted]

Time: 06/05/19 09:47:22 AM (581446042)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 7B27A1A8-83DD-4A37-89E5-DF55263500A6

Message: Yep :: london trip not good -- he had gleam in his eye

Sender: [redacted]

Time: 06/05/19 12:10:44 PM (581454644)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: CC2ECB97-8739-4C24-9D77-4FA9EFD4AB96

Message: https://www.washingtonexaminer.com/news/steve-bannon-believes-trump-obstructed-justice-michael-wolff-says

Sender: [redacted]

Time: 06/05/19 12:10:44 PM (581454644)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 07EDCB9F-E92B-4A72-9A0B-6A45A6F10BD1

Message: This is a stone cold lie -- and I have sworn testimony for 35 hours

Sender: e:jeeitunes@gmail.com

Time: 06/05/19 12:48:45 PM (581456925)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 387C19F5-A129-4C9F-8080-BB4BC1E9394B

Message: Yup

Sender: e:jeeitunes@gmail.com

Time: 06/05/19 12:49:13 PM (581456953)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0994E902-EAD7-4607-865C-054268EFDFDE

Message: Hes punch drunk

Sender: [redacted]

Time: 06/05/19 12:49:36 PM (581456976)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 250940C2-FA47-4CC1-85E0-80190D48FFDF

Message: It's bullshit

Sender: e:jeeitunes@gmail.com

Time: 06/05/19 12:50:49 PM (581457049)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 792E477C-055C-4AE1-85F2-EFD38A0CB572

Message: It was yesterday lets see today

Sender: [redacted]

Time: 06/05/19 12:51:34 PM (581457094)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: BA0D2908-9911-4902-A987-79E6FF44F0E2

Message: He should just stop : embarrassing himself , people are now openly mocking him

Sender: e:jeeitunes@gmail.com

Time: 06/05/19 12:51:45 PM (581457105)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 379F32F6-C0A5-44B5-B4C4-16EF36B2CE81

Message: His book is number 2

Sender: e:jeeitunes@gmail.com

Time: 06/05/19 12:52:11 PM (581457131)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0C980201-F1F2-4229-B1AF-9AFA8CE7AD57

Message: However number three, you can check is Dr seuss

Sender: [redacted]

Time: 06/05/19 12:52:27 PM (581457147)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 8AC25259-7BD6-4DD9-9392-FF65717CA1A9

Message: That's Amazon :: comes from the pre orders

Sender: e:jeeitunes@gmail.com

Time: 06/05/19 12:53:08 PM (581457188)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 037A2AF1-761A-489A-AB07-C3EE98C1062F

Message: Yes

Sender: e:jeeitunes@gmail.com

Time: 06/06/19 02:44:33 AM (581507073)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 1DC8819C-ED79-414E-A2DD-5414F0302BBB

Message: Was he better yesterday ?

Sender: [redacted]

Time: 06/06/19 02:46:19 AM (581507179)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 12837FDA-7788-4BE2-9347-2743E6ADD39E

Message: I don't really follow but I didn't see any explosions

Sender: [redacted]

Time: 06/06/19 06:07:09 AM (581519229)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 02D6269F-891A-4D04-AC8A-D1A0FDA3CA6F

Message: https://sinoinsider.com/2019/06/risk-watch-how-the-ccp-could-do-a-pearl-harbor-to-survive-the-new-cold-war/#001

Sender: [redacted]

Time: 06/06/19 06:07:09 AM (581519229)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 37A6730C-55B8-45B7-BA44-AA7F4E768A3C

Message: It's called 'winning'

Sender: e:jeeitunes@gmail.com

Time: 06/06/19 07:15:00 AM (581523300)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 2371BF44-1E48-43DA-BBC2-449306F0428F

Message: I assume your guys are not filming on the island this weekend. I will be in town tue -thurs then Paris

Sender: [redacted]

Time: 06/06/19 07:17:45 AM (581523465)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 99B86068-8D56-4C7E-B602-EFD55BE4321C

Message: K

Sender: e:jeeitunes@gmail.com

Time: 06/06/19 09:04:46 AM (581529886)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 31AB58A7-AE3B-4645-923C-96FD493C62EF

Message: We need to talk about kovel. Letter and black bag.

Sender: [redacted]

Time: 06/06/19 09:10:06 AM (581530206)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E3301451-60CB-4098-A353-70DD2316FCC7

Message: As in a kovel agreement re accounting and finance

Sender: e:jeeitunes@gmail.com

Time: 06/06/19 09:11:19 AM (581530279)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 045DD4AD-71A9-42AB-B80F-A72B22D6868D

Message: Legal privleged

Sender: e:jeeitunes@gmail.com

Time: 06/06/19 09:11:41 AM (581530301)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C9D8D316-9923-4FE4-91E7-E2FE3D960260

Message: Recall □

Sender: [redacted]

Time: 06/06/19 09:11:41 AM (581530301)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 61B26AB2-2318-4D17-970B-A59CF696B554

Message: Yes

Sender: e:jeeitunes@gmail.com

Time: 06/06/19 09:12:18 AM (581530338)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 46A6C354-CBD0-4222-853C-6D3DE0D1D49B

Message: We had an hour meeting with govt over casting. . very funny, for face to face

Sender: e:jeeitunes@gmail.com

Time: 06/06/19 09:12:40 AM (581530360)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8144592B-7488-4208-A712-22765487817B

Message: Don't send any moneyback until we talk .

Sender: [redacted]

Time: 06/06/19 09:16:15 AM (581530575)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: BE029CDC-9D6A-4DC6-83C5-083472A83F06

Message: K-- we need a deal for the entire 'training'

Sender: e:jeeitunes@gmail.com

Time: 06/06/19 09:37:24 AM (581531844)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5D31656A-E0B8-4608-B014-566793263B6C

Message: Im aware

Sender: e:jeeitunes@gmail.com

Time: 06/06/19 09:37:29 AM (581531849)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 91D69E0A-BE42-432A-B070-F801DD4C25CC

Message: Prep

Sender: [redacted]

Time: 06/06/19 09:41:11 AM (581532071)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: D04E4524-4413-44D0-B958-1E313736AD35

Message: Prep

Sender: [redacted]

Time: 06/06/19 09:41:14 AM (581532074)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 1A7A6694-E042-4EC0-B7CD-0B2F3FA67984

Message: Of course

Sender: e:jeeitunes@gmail.com

Time: 06/06/19 12:21:33 PM (581541693)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5C9927B9-52BD-4E3E-AB4B-2AFC6C74AC36

Message: when can you speak?

Sender: [redacted]

Time: 06/06/19 02:09:37 PM (581548177)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: FB577530-8698-4590-8482-21AC016D262F

Message: Tonight

Sender: e:jeeitunes@gmail.com

Time: 06/06/19 02:10:34 PM (581548234)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: CE756D30-ED75-4974-B28A-BB2C7DE7A214

Message: K

Sender: e:jeeitunes@gmail.com

Time: 06/07/19 02:24:32 AM (581592272)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 323E1C56-A01B-4319-8ED8-712FE9BB2B27

Message: ?

Sender: [redacted]

Time: 06/07/19 02:25:36 AM (581592336)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: F6DB81B1-BBB7-461F-918C-89ED0F6B15B7

Message: Went late last night

Sender: e:jeeitunes@gmail.com

Time: 06/07/19 03:14:05 AM (581595245)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 84E3463B-073F-443B-8C35-A50CF8483C5B

Message:
https://mail.google.com/mail/u/0/#search/victoria%40bigthink.com/WhctKJVRLGnNDsqLwCknfKRfBHhPwSpKnlqZWpZsbTGjvWNzdgfdcFHcDhKgKNNmmqkzCFV

Sender: [redacted]

Time: 06/07/19 03:18:37 AM (581595517)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 3E22C468-44FF-47FF-B835-C2478095ADAC

Message: ???

Sender: e:jeeitunes@gmail.com

Time: 06/07/19 03:21:07 AM (581595667)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: D7E68683-1BBD-43CB-A01B-7F80F5E4AF15

Message: That was a full list of people , not for today. But if you have a moment. You can see https://www.ted.com/talks/david_pizarro_the_strange_politics_of_disgust?language=en---- talks about measured level of political leanings. ,

Sender: [redacted]

Time: 06/07/19 03:21:54 AM (581595714)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 16464858-FD72-427B-AEF3-580F80B3AB33

Message: K--- for the prep work?

Sender: e:jeeitunes@gmail.com

Time: 06/07/19 03:22:36 AM (581595756)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: EADAD8C1-3809-411E-B7D5-3AD2F49E93AC

Message: Since I guess this weekend off I will be back tues - thurs. Davos guy on thurs. lots to discus with you. . are you in town?

Sender: [redacted]

Time: 06/07/19 03:23:22 AM (581595802)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: FDF68441-3682-4BB3-B879-E6DD2CF76623

Message: Tuesday but think have to be in dc starting Wednesday afternoon

Sender: e:jeeitunes@gmail.com

Time: 06/07/19 03:24:00 AM (581595840)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 09741C62-DAD0-40A8-81D5-C5BC9F690A11

Message: Breakfast tues?

Sender: [redacted]

Time: 06/07/19 03:24:47 AM (581595887)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 47055D51-354D-477D-9C62-735FC2D476BC

Message: Yes and if we can figure everything out let's film as much as we can

Sender: e:jeeitunes@gmail.com

Time: 06/07/19 04:07:50 PM (581641670)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 53907020-F9A8-4AEB-8FE3-9A9E04A35644

Message: Im watching the gold market. I think china is playing

Sender: [redacted]

Time: 06/07/19 04:51:19 PM (581644279)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 96F49A76-9113-490D-B37F-E26A28615B5C

Message: 9 June Hong Kong

Sender: e:jeeitunes@gmail.com

Time: 06/07/19 05:58:35 PM (581648315)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 86724EBB-DCA5-4BC9-9328-79A4D4F07328

Message: ?

Sender: e:jeeitunes@gmail.com

Time: 06/07/19 06:00:13 PM (581648413)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: EF1AA99E-A9A7-4512-AC30-EB6885CCF382

Message: Yes

Sender: e:

Time: 06/08/19 04:14:11 AM (581685251)

Flags: 1081349

Is Read: No

Is Invitation: No

GUID: 419740C1-5C24-481E-B746-28C3DDA28603

Message: many fun new topics. Is tues your only day?

Sender: [redacted]

Time: 06/08/19 04:38:10 AM (581686690)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 9D6DCE5A-B1BB-454C-9171-E57978EEB28C

Message: Right now in dc on Wednesday thru weekend

Sender: e:jeeitunes@gmail.com

Time: 06/08/19 04:38:57 AM (581686737)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 792A564B-0378-4AAB-AAAB-4E562C9268C3

Message: K

Sender: e:jeeitunes@gmail.com

Time: 06/08/19 04:39:37 AM (581686777)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 08765C20-C226-416E-BBC1-ECA61947EE64

Message: Will you be coming to Europe?

Sender: [redacted]

Time: 06/08/19 04:40:30 AM (581686830)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E6441AB1-63AE-490D-8CB2-650907D6FDEB

Message: Short answer is yes just don't know when -- many things happening on china and CCP

Sender: e:jeeitunes@gmail.com

Time: 06/08/19 06:56:45 AM (581695005)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: A1E6237A-A712-4B73-9AE4-C5E5D69CE524

Message: Interesting xi , Putin , talks. When I see you .

Sender: [redacted]

Time: 06/08/19 07:31:47 AM (581697107)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 61EA6927-6120-4278-863C-1E116B4EAB0B

Message: Yes yes yes

Sender: e:jeeitunes@gmail.com

Time: 06/08/19 04:32:52 PM (581729572)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 3F0800E9-05A0-492A-AFA3-4D7FA123E479

Message: https://news.yahoo.com/confronted-with-multiple-errors-in-his-new-trump-book-a-testy-michael-wolff-says-you-have-to-trust-me-181252406.html

Sender: e:jeeitunes@gmail.com

Time: 06/08/19 04:32:52 PM (581729572)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 563A7C1F-F996-4550-8A0C-10C0FED8DE52

Message: .

Sender: e:jeeitunes@gmail.com

Time: 06/08/19 04:33:05 PM (581729585)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 68335E89-90CC-465A-9C7F-1B1F7A21B867

Message: pulverized

Sender: e:jeeitunes@gmail.com

Time: 06/09/19 03:14:02 AM (581768042)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: FE579F45-D694-44C5-BA88-88106E5F7F50

Message: Lunch Tuesday? Or dinner.

Sender: [redacted]

Time: 06/09/19 03:14:25 AM (581768065)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 822D78DB-E5AC-4BAC-B7B1-F4EDC75F3730

Message: Let's film that day

Sender: [redacted]

Time: 06/09/19 03:15:34 AM (581768134)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 36CA9F31-345B-445D-A9A8-181373413C8F

Message: Doing 10 hour live broadcast into mainland China of the Hong Kong protest now--- 1.6 million in the streets--- beginning of the end

Sender: e:jeeitunes@gmail.com

Time: 06/09/19 05:13:20 AM (581775200)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: AFF27D5A-366B-4AF9-97AF-3B9F5834E1EF

Message: I will need to move stuff around. But should work. Have your guys send me the last two interviews please. thx

Sender: [redacted]

Time: 06/09/19 05:13:56 AM (581775236)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 3DE6E6AC-4E8B-4BED-9127-DDD44507CDDC

Message: Don't move tell me what time works and we can adjust

Sender: e:jeeitunes@gmail.com

Time: 06/09/19 05:26:31 AM (581775991)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 93F5AF50-07A8-4439-A6C3-F92AD024B663

Message: 2 pm should work

Sender: e:jeeitunes@gmail.com

Time: 06/09/19 05:27:06 AM (581776026)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: ED59175F-8A24-4B21-BFB1-AE33EE870F6F

Message: Like last time. , try to get some sleep so you are a world class opponent not an open mike type

Sender: [redacted]

Time: 06/09/19 05:54:45 AM (581777685)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: F866479D-746F-42B0-BA32-11EFFF5537FE

Message: roger

Sender: [redacted]

Time: 06/09/19 02:42:38 PM (581809358)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 22993CC3-3D75-454E-9C2D-5C354B630AF6

Message: https://nypost.com/2019/06/09/bannon-biden-must-release-tax-returns-to-address-china-connections/

Sender: e:jeeitunes@gmail.com

Time: 06/09/19 06:36:16 PM (581823376)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 41CC86FC-7912-4B51-82FB-98529FFFEEF5

Message: Last two interivews?

Sender: e:jeeitunes@gmail.com

Time: 06/10/19 03:07:32 AM (581854052)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E656159D-BB63-4C52-8E9B-4E670C5786C4

Message: But in China, the yuan slipped to its weakest this year after the country's imports fell the most in nearly three years and as talks to end the Sino-U.S. dispute remained deadlocked.

Sender: [redacted]

Time: 06/10/19 03:47:18 AM (581856438)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: F151A2F5-574C-4E07-83E1-57C02153F141

Message: What interviews ?

Sender: [redacted]

Time: 06/10/19 03:59:54 AM (581857194)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: C245095D-51A7-4034-B969-58ADE1B2F322

Message: Is the Kazak movie any good???

Sender: e:jeeitunes@gmail.com

Time: 06/10/19 04:14:13 AM (581858053)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8A206BDA-C00D-4D45-922E-00EBE14868C6

Message: The last two filming with you

Sender: [redacted]

Time: 06/10/19 04:15:01 AM (581858101)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: D4C1C566-CD4C-4776-8568-76D857D0F436

Message: They are all out of sequence some from months ago -- Wuxi ones

Sender: [redacted]

Time: 06/10/19 04:15:06 AM (581858106)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 21F2EA84-7EDF-4D91-807E-C0E49F8E57F6

Message: Which ones

Sender: e:jeeitunes@gmail.com

Time: 06/10/19 04:20:52 AM (581858452)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: BC281BA0-482F-400E-987D-DBA32B22D3A6

Message: The last two from two weeks ago . thefilms you shot in my house. . we can do tomorrow from 3 pm

Sender: [redacted]

Time: 06/10/19 04:21:35 AM (581858495)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: A26AEC4D-D402-4CF4-808D-32C3E774E27A

Message: Yes yes yes -- your interviews -- yes , they were great will get to u today

Sender: [redacted]

Time: 06/10/19 07:31:16 AM (581869876)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: FC0155BB-8BF3-4157-A21A-AC80E9506998

Message: Can we make this deal today so I can pull my crew off other stuff they are working on and get this thing done -- we are burning daylight

Sender: e:jeeitunes@gmail.com

Time: 06/10/19 07:59:59 AM (581871599)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: FD40C6A1-81A0-4034-8A52-86578D1D80CA

Message: YEs. Do you have a lawyer . ? we need to document past and future, all needs surgical care.

Sender: [redacted]

Time: 06/10/19 08:06:05 AM (581871965)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E02364E6-1BCE-47A7-B422-CF449336165C

Message: Yes

Sender: [redacted]

Time: 06/10/19 08:06:18 AM (581871978)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: DA7193FF-0066-463B-86B4-0A8B0913452B

Message: But we are in terms agreed???

Sender: e:jeeitunes@gmail.com

Time: 06/10/19 08:09:56 AM (581872196)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E91E1F92-E6B1-434A-97DE-D00ECC061BDC

Message: As always

Sender: [redacted]

Time: 06/11/19 06:11:17 AM (581951477)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 898C6088-CBB4-4BC5-972A-D4DBC211C5CD

Message: We set for today???

Sender: e:jeeitunes@gmail.com

Time: 06/11/19 06:27:29 AM (581952449)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: FAE1B9C0-934F-4043-97FA-82C447DA2E59

Message: Yes

Sender: [redacted]

Time: 06/11/19 06:29:32 AM (581952572)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 4973157C-9243-437A-82A8-6E4C98697D1D

Message: 3 to 6???

Sender: e:jeeitunes@gmail.com

Time: 06/11/19 06:40:40 AM (581953240)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 68498CF9-F0B4-4450-8D1C-A588DB70EB4A

Message: Ok. I m aware you are busy. -however- Id appreciate at least -a proposed -schedule. Paris, ranch -island were all missed opportunities since April . I am focused on you WINNING! So no worries.

Sender: e:jeeitunes@gmail.com

Time: 06/11/19 06:41:27 AM (581953287)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 823F3E73-5E08-4989-9A8D-336E0391D2D2

Message: Movement first. My Europe/ mideast schedule is getting cramped already

Sender: [redacted]

Time: 06/11/19 06:44:44 AM (581953484)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 4670A647-DD58-4E32-A2AD-A6B79CA0F2AD

Message: We have to do a sked and we will but my crew doesn't think we are doing a film so they are out on other projects -- as soon as we get locked down you will be OVER sked !!!

Sender: [redacted]

Time: 06/11/19 06:44:55 AM (581953495)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: EC174C7B-23B3-4D4D-85FF-B7994FCE8FF4

Message: How is the cast coming together

Sender: e:jeeitunes@gmail.com

Time: 06/11/19 11:31:53 AM (581970713)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 4011D187-43A6-4AD5-874F-1B19EA6C75CC

Message: Eta?

Sender: [redacted]

Time: 06/11/19 11:32:24 AM (581970744)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: FFF9518E-8ADB-45E2-B30F-C2D23AC19CF7

Message: 3-- that's when u said u had-- I can come now

Sender: e:jeeitunes@gmail.com

Time: 06/11/19 11:33:19 AM (581970799)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0A6CD463-9095-4357-A88D-29CAD0AF122D

Message: come just arrived

Sender: [redacted]

Time: 06/11/19 11:33:27 AM (581970807)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E53D672A-BBC1-4C28-AB02-902DD71FD12D

Message: K

Sender: [redacted]

Time: 06/11/19 11:51:22 AM (581971882)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 7837EC51-46E4-49E2-9556-0B9A8E76AF49

Message: Rolling up in 5 minutes

Sender: [redacted]

Time: 06/11/19 11:56:15 AM (581972175)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 2BD54258-8EB5-4C4E-A2E8-4641F82CA9B9

Message: I'm here on set

Sender: [redacted]

Time: 06/11/19 01:05:12 PM (581976312)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 5BEB5F9B-4632-4413-81D5-D67B03410E1B

Message: Ready

Sender: [redacted]

Time: 06/11/19 03:00:44 PM (581983244)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 46BBFB2F-B893-451A-8B93-DF559F45038F

Message: Today = great

Sender: e:jeeitunes@gmail.com

Time: 06/11/19 03:22:46 PM (581984566)

Flags: 1081349

Is Read: No

Is Invitation: No

GUID: D374D211-EFEC-45D0-9979-454CB1233F0A

Message: Helicopter pilot who crashed on NYC skyscraper shouldn't have been in the air, FAA says Timothy McCormack did not have the required certificate that would have allowed him to legally fly in poor visibility conditions and rely on instruments.

Sender: [redacted]

Time: 06/11/19 04:11:01 PM (581987461)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 647AD8D3-7A84-4973-B02A-054481D0A31C

Message: I'm blown away-- he was pilot for ceos

Sender: [redacted]

Time: 06/11/19 05:54:19 PM (581993659)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 231A2006-7CB8-4983-A84B-3ED8ABD341D7

Message: 3 pm tomorrow ?

Sender: e:jeeitunes@gmail.com

Time: 06/11/19 06:13:59 PM (581994839)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8121267A-67AB-4D4A-A8FF-0AB2B598C576

Message: K

Sender: [redacted]

Time: 06/11/19 06:14:08 PM (581994848)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 68A4CF67-BF76-4C73-B062-377DF3C66CB9

Message: Does that work

Sender: e:jeeitunes@gmail.com

Time: 06/11/19 06:14:53 PM (581994893)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: ED4A55CD-0C11-4B91-8F32-733B18EFF88A

Message: Ill call the pilots. ..should

Sender: [redacted]

Time: 06/11/19 06:23:09 PM (581995389)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: BB0BB622-BE68-4FAA-A461-F284870AFFBD

Message: K

Sender: e:jeeitunes@gmail.com

Time: 06/11/19 06:24:01 PM (581995441)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 368E1800-8649-4F8E-8964-2F43DC53A8A8

Message: Biden says he is going to cure cancer. Leading with his chin

Sender: e:jeeitunes@gmail.com

Time: 06/11/19 06:24:09 PM (581995449)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C748EE0B-A9EC-471F-90DD-BE5E5B1511E1

Message: Or China

Sender: e:jeeitunes@gmail.com

Time: 06/11/19 06:26:17 PM (581995577)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5F7FE426-694B-4B8F-AACE-67137511D82C

Message: Mandinka males would dress up in order to resolve domestic disputes.[2] In the 18th century mumbo jumbo referred to a West African god.

Sender: [redacted]

Time: 06/11/19 06:27:28 PM (581995648)

Flags: 1052673

Is Read: No

Is Invitation: No

GUID: 4BA2EF47-913A-4619-B537-718B38AC7387

Message: That phrase got to guys

From: Lisa New [redacted]
Sent: 12/2/2014 6:29:16 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: poetry and science

Importance: High

Dear Jeffrey,

Apropos of our conversation of a few minutes ago, This proposal went to someone I thought was interested in the environment and science but who seems, in fact, far more interested in supporting TV on a broad range of topics.

500,000 would fund this initiative as the second HGSE course (after Poetry of the City) and could begin immediately, Jan 1. . I'd be thrilled to include other scientists you name, perhaps taping the group in a session on metaphor at the edges of fields.

INote that taped sessions already include economics, marine biology, astronomy, evolutionary biology, zoology, physics and computer science. Richard Dawkins, Walter Isaacson, David Mossberg and David Malan have all said yes to tapings. Footage for all the others is already shot and ready for post production.

I am having a drink with Dean of Ed School today and can explore this with him among other topics

Lisa

Poetry in America for Teachers II : The Poetry of Earth, Sea, and Sky

Combining study of poetry with study of science, environment and the visual arts . Materials include hundreds archival images and live footage shot in

Cape Cod, Nantucket, Vermont, New York, Connecticut, Jamaica, Aspen, California, Papua New Guinea including oceans, ponds, marshes, birds, fish mountains, coral reefs, forests as well in some major collections (HMNH etc)

with author Michael Pollan on Joel Barlow (and colonial agriculture)

with economist Lawrence Summers on Oliver Wendell Holmes, (and technology and "one hoss shay" depreciation)

with Harvard students at the Nantucket Whaling Museum and with , John Steele, editor of the science magazine, *Nautlilus*, on Lowell and Melville

with Vice President Al Gore on Ralph Waldo Emerson ,and, with eco-critic Lawrence Buell (with footage taped on the Concord River as well as in Harvard's Houghton Rare Book Library)

with a dozen Harvard students and Boston area school teachers on Emily Dickinson's "skies" (shot at Emily Dickinson's home in Amherst Massachusetts) and with ED's original mss. at Harvard University

with Jane Pickering In Harvard's Museum of Natural History on Marianne Moore, zoology and science museums

with Martin Espada and other New Yorkers (footage shot on the East River) on Whitman and urban greenspace and with Susan Howe on Stevens and parks

with Richard Dawkins on Frost, evolution and probability and with Jay Parini, Frost biographer, in Frost's cabin on "The Road not Taken".

with Director of the College Board (and writer of the Common Core Standards) , David Coleman on Robert Frost's "Birches" (filmed in a birch grove)

with Peter Galison on Einstein and Modernism (taped in the Harvard Scientific Instruments collection in the Harvard Science Center) and with author Walter Isaacson on Einstein and Modernism (Fogg Museum)

with Ray Dalio on Marianne Moore(in Rajah Ampat with Conservation International); and with Jane Pickering, Head of the Harvard Natural History Museum, (filmed in the Harvard Museum of Natural History)

with Stefan Weiss, Walt Mossberg and David Malan on coding, computer language and L-A-N-G-U-A-G-E poetry

--

Elisa New
Powell M. Cabot Professor of American Literature
Harvard University
148 Barker Center
12 Quincy Street

Cambridge, MA
O2138
[redacted]

From: Lisa New [redacted]
Sent: 12/2/2014 7:15:11 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Re: poetry and science

Importance: High

okay. you let me know when you can talk.

And I hadn't added to this list neuroscience--where Emily Dickinson has it nailed-- and maybe this would be the right poem for your group. Notice how many metaphors are operating simultaneously here

The Brain, within its Groove
Runs evenly--and true--
But let a Splinter swerve--
'Twere easier for You--

To put a Current back--
When Floods have slit the Hills--
And scooped a Turnpike for Themselves--
And trodden out the Mills--

I get to New York Thursday am or perhaps tomorrow night...haven't decided quite yet which. Always prefer face to face if you have time

lisa

On Tue, Dec 2, 2014 at 1:29 PM, Lisa New <[redacted]> wrote:

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--

Elisa New
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[redacted]

--

Elisa New
Powell M. Cabot Professor of American Literature
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[redacted]

From: Steve Bannon [[redacted]
Sent: 3/11/2018 7:39:40 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Fwd: Filed: German Media Confess to Underestimating Steve Bannon; He Is 'As Dangerous as Ever'

Importance: High

Germans get it

Begin forwarded message:

Resent-From: [redacted]
From: "Thomas D. Williams" <[redacted]>
Date: March 11, 2018 at 5:13:03 PM GMT+1
To: Raheem Kassam <[redacted]>, [redacted] Oliver Lane <[redacted]>, Alexander Marlow <[redacted], Frances Martel <[redacted]>, Adrienne Ross <[redacted]>
Subject: Filed: German Media Confess to Underestimating Steve Bannon; He Is 'As Dangerous as Ever'

German Media Confess to Underestimating Steve Bannon; He Is 'As Dangerous as Ever'

The Daily Caller reserves the right to delete comments that violate our terms of service. Please keep your comments relevant and respectful.

by THOMAS D. WILLIAMS, PH.D.11 Mar 2018 0

As Steve Bannon continues his tour of Europe, energizing the anti-establishment populist base, the mainstream media cannot help but admit their admiration for his abilities, despite their dislike of his aims.

In this week's issue, the left-wing German weekly *Stern* articulates the greatest fear of the European establishment: that Bannon "could give the fragmented right in Europe a common ideology and rhetoric." Many thought that the reign of the "Dark Lord" had ended, writes Gernot Kramper, when Steve Bannon left first the White House and then his role as executive chairman of Breitbart News. It turns out, however, that Bannon's adversaries had underestimated him, because he is "as dangerous as ever," he confesses.

Kramper cannot conceal his respect for Bannon's ability to move a crowd. He was greeted by "frenetic applause" in his recent address before France's National Front party, Kramper writes, demonstrating his "impressive potential," which the writer describes as "dangerous."

In the mind of his audience, Bannon is something of a miracle-worker, Stamper notes, having "done the impossible" by bringing Donald Trump into the White House.

The reason Bannon is dangerous, Kramper continues, is because he "lays out the political program of a worldwide right: He has already conquered the USA; now Europe and then the whole world will follow."

“You are part of a worldwide movement that is bigger than France, bigger than Italy, bigger than Hungary, bigger than all that,” Bannon told French populists.

Bannon showed that he “dominates the mood against the ‘elites,’ the ‘establishment’ and the ‘perverse system’ of greedy corporations and banks, and of course also against the press, which is led around ‘like a dog on the Leash,’” Stamper writes.

And now he Mr. Bannon setting himself up as an instigator, if not an outright shepherd, of a movement that crosses borders, languages and parties.

“Bannon is a master of apocalyptic rhetoric,” Stamper continues, effortlessly weaving together nationalist interests with an international populist movement.

The American strategist showed his “true caliber” by expounding modern methods of political freedom through blockchain technologies and cryptocurrencies, Stamper said, leaving many of his hearers behind. Bannon has demonstrated that if the right wants to rule the future, “it must dominate modern themes and rhetorically position them,” he added.

Aspiring to be far more than an uncle who tells stories to his nephews of how he won the fight for the White House, Stamper writes, “Bannon wants to become the super godfather of the international right.”

Although Bannon often looks a bit disheveled, “he should not be underestimated,” the writer warns. Past business partners attribute impressive “strategic foresight” to the eccentric tactician, saying he was often “three or four steps ahead” of his opponents in business. Because of his phenomenal memory, his nickname is “the encyclopedia,” Stamper notes with a certain reverence, and in his speeches he will spontaneously cite “forgotten thinkers, known only to a handful of specialists.”

“Bannon brings with him exclusive knowledge of power from the very heart of power,” Stamper writes, which he will bring to bear on Europe’s fragmented populist populism.

According to Stamper, Bannon has established his “European headquarters” in Italy, from where he intends to galvanize European populists.

The Italian political situation is completely to his liking, Stamper declares, with a political landscape “dominated by populists, right-wing ideologues and the political puppeteer Berlusconi.”

Follow Thomas D. Williams on Twitter

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From: Steve Bannon [redacted]
Sent: 3/11/2018 7:47:49 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Filed: German Media Confess to Underestimating Steve Bannon; He Is 'As Dangerous as Ever'

Importance: High

Pretty powerful

On Mar 11, 2018, at 8:42 PM, jeffrey E. <jeevacation@gmail.com> wrote:

luv it

On Sun, Mar 11, 2018 at 8:39 PM, Steve Bannon <[redacted]> wrote:

Germans get it

Begin forwarded message:

Resent-From: [redacted]n>
From: "Thomas D. Williams" <[redacted]>
Date: March 11, 2018 at 5:13:03 PM GMT+1
To: Raheem Kassam <[redacted]m>, [redacted], Oliver Lane <[redacted]>, Alexander Marlow <[redacted]>, Frances Martel <[redacted]n>, Adrienne Ross <[redacted]>
Subject: Filed: German Media Confess to Underestimating Steve Bannon; He Is 'As Dangerous as Ever'

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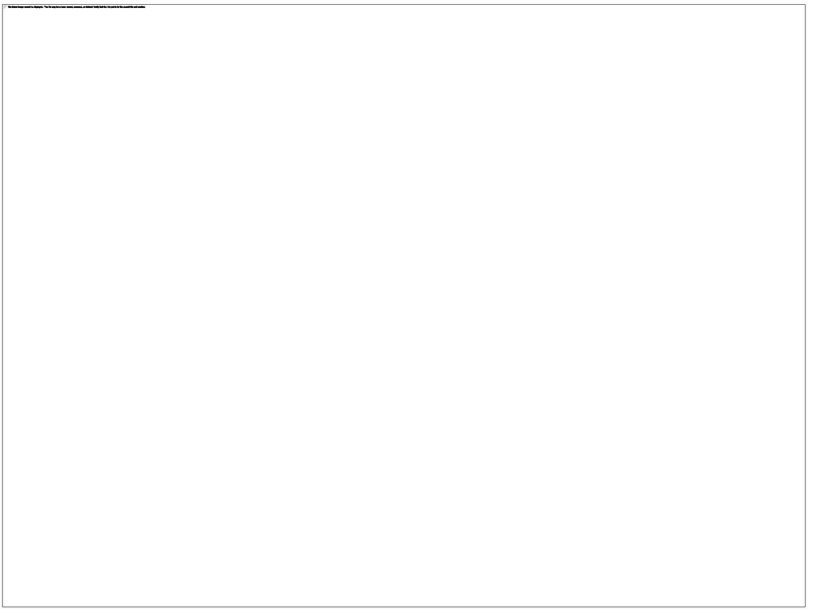

by THOMAS D. WILLIAMS, PH.D.11 Mar 2018

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The reason Bannon is dangerous, Kramper continues, is because he "lays out the political program of a worldwide right: He has already conquered the USA; now Europe and then the whole world will follow."

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From: Steve Bannon [redacted]]
Sent: 3/12/2018 1:04:06 AM
To: Jeffrey Epstein [jeevacation@gmail.com]; Sean Bannon [redacted]
Subject: Re: Filed: German Media Confess to Underestimating Steve Bannon; He Is 'As Dangerous as Ever'

Importance: High

K
Sent via BlackBerry by AT&T

From: "jeffrey E." <jeevacation@gmail.com>
Date: Sun, 11 Mar 2018 21:03:53 +0100
To: Steve Bannon<[redacted]>; <[redacted]
Subject: Re: Filed: German Media Confess to Underestimating Steve Bannon; He Is 'As Dangerous as Ever'

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luv it

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Germans get it

Begin forwarded message:

Resent-From: <[redacted]>
From: "Thomas D. Williams" <[redacted]>
Date: March 11, 2018 at 5:13:03 PM GMT+1
To: Raheem Kassam <[redacted]>, [redacted], Oliver Lane <[redacted]>, Alexander Marlow <[redacted]>, Frances Martel <[redacted]>, Adrienne Ross <[redacted]>
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From: Steve Bannon [redacted]
Sent: 3/11/2018 8:07:21 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Filed: German Media Confess to Underestimating Steve Bannon; He Is 'As Dangerous as Ever'

Importance: High

Don't worry

All good

On Mar 11, 2018, at 9:05 PM, jeffrey E. <jeevacation@gmail.com> wrote:

ill make it up to you, . sorry

On Mon, Mar 12, 2018 at 2:04 AM, Steve Bannon <[redacted]> wrote:
K
Sent via BlackBerry by AT&T

From: "jeffrey E." <jeevacation@gmail.com>
Date: Sun, 11 Mar 2018 21:03:53 +0100
To: Steve Bannon<[redacted]>
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Date: March 11, 2018 at 5:13:03 PM GMT+1
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From: Sean Bannon [redacted]
Sent: 3/11/2018 8:08:31 PM
To: jeffrey E. [jeevacation@gmail.com]
CC: Steve Bannon [redacted]
Subject: Re: Filed: German Media Confess to Underestimating Steve Bannon; He Is 'As Dangerous as Ever'

Importance: High

Roger that. Thanks for having us today.

Sent from my iPhone

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To: Raheem Kassam <[redacted]>, [redacted], Oliver Lane <[redacted]>, Alexander Marlow <[redacted]>, Frances Martel <[redacted]n>, Adrienne Ross <[redacted]>
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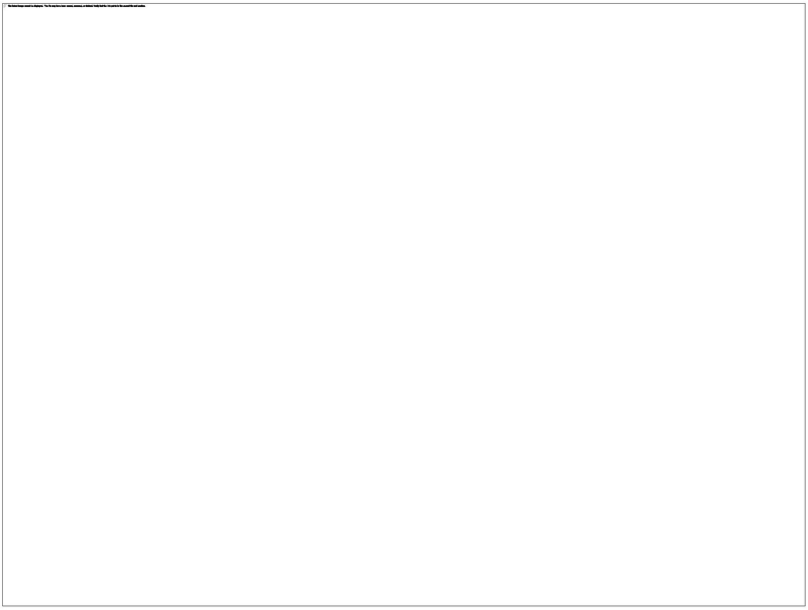

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 12/2/2014 6:57:24 PM
To: Lisa New [redacted]]
Subject: Re: poetry and science

Importance: High

sorry got called into conference can continue later in week

On Tue, Dec 2, 2014 at 1:29 PM, Lisa New <[redacted]> wrote:

Dear Jeffrey,

Apropos of our conversation of a few minutes ago, This proposal went to someone I thought was interested in the environment and science but who seems, in fact, far more interested in supporting TV on a broad range of topics.

500,000 would fund this initiative as the second HGSE course (after Poetry of the City) and could begin immediately, Jan 1. . I'd be thrilled to include other scientists you name, perhaps taping the group in a session on metaphor at the edges of fields.

INote that taped sessions already include economics, marine biology, astronomy, evolutionary biology, zoology, physics and computer science. Richard Dawkins, Walter Isaacson, David Mossberg and David Malan have all said yes to tapings. Footage for all the others is already shot and ready for post production.

I am having a drink with Dean of Ed School today and can explore this with him among other topics

Lisa

Poetry in America for Teachers II : The Poetry of Earth, Sea, and Sky

Combining study of poetry with study of science, environment and the visual arts . Materials include hundreds archival images and live footage shot in

Cape Cod, Nantucket, Vermont, New York, Connecticut, Jamaica, Aspen, California, Papua New Guinea including oceans, ponds, marshes, birds, fish mountains, coral reefs, forests as well in some major collections (HMNH etc)

with author Michael Pollan on Joel Barlow (and colonial agriculture)

with economist Lawrence Summers on Oliver Wendell Holmes, (and technology and "one hoss shay" depreciation)

with Harvard students at the Nantucket Whaling Museum and with , John Steele, editor of the science magazine, *Nautlilus*, on Lowell and Melville

with Vice President Al Gore on Ralph Waldo Emerson ,and, with eco-critic Lawrence Buell (with footage taped on the Concord River as well as in Harvard's Houghton Rare Book Library)

with a dozen Harvard students and Boston area school teachers on Emily Dickinson's "skies" (shot at Emily Dickinson's home in Amherst Massachusetts) and with ED's original mss. at Harvard University

with Jane Pickering In Harvard's Museum of Natural History on Marianne Moore, zoology and science museums

with Martin Espada and other New Yorkers (footage shot on the East River) on Whitman and urban greenspace and with Susan Howe on Stevens and parks

with Richard Dawkins on Frost, evolution and probability and with Jay Parini, Frost biographer, in Frost's cabin on "The Road not Taken".

with Director of the College Board (and writer of the Common Core Standards) , David Coleman on Robert Frost's "Birches" (filmed in a birch grove)

with Peter Galison on Einstein and Modernism (taped in the Harvard Scientific Instruments collection in the Harvard Science Center) and with author Walter Isaacson on Einstein and Modernism (Fogg Museum)

with Ray Dalio on Marianne Moore(in Rajah Ampat with Conservation International); and with Jane Pickering, Head of the Harvard Natural History Museum, (filmed in the Harvard Museum of Natural History)

with Stefan Weiss, Walt Mossberg and David Malan on coding, computer language and L-A-N-G-U-A-G-E poetry

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Elisa New
Powell M. Cabot Professor of American Literature

Harvard University
148 Barker Center
12 Quincy Street
Cambridge, MA
O2138
[redacted]

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I have up until now, not told my side of the story. My attorneys and PR people advised me to just stay quiet, and it will all go away. I have received the same advice for five years now. I realize my silence is now causing collateral damage to my friends and other innocent bystanders. The time has come to let the hounds of investigative reporters loose on those that, driven by money, have made false claims, concocted malicious fabrications, and have expanded their fictions now to include others in my orbit.

I was investigated for soliciting underage prostitutes. To be precise, girls under the age of 18 who were brought to my house by their close friends who worked in local massage parlors or strip clubs(West Palm Beach has scores of massage parlors and happy ending places that routinely advertise in the same local papers that have chastised my behavior)[see Palm Beach Post classifieds]. I am and have always been a bachelor. I have used massage parlor women, licensed massage therapists, and women with no massage experience. I have never ever used force, coercion, or in fact had intercourse with any of these women.

When the police investigated me, went through my garbage, searched my house, they found sex toys, but NO cameras or camera equipment; nothing in fact out of the ordinary from many homes of single men. There were never any photos of underage girls. Never. A careful reading of any law enforcement document makes that clear. The camera that was referred to in the search warrant, was the camera installed in my house with the help of the local police to catch my houseman, John Allessi; the same houseman mentioned in many articles. He was breaking into my house and stealing money after being fired. The camera caught him in the act. These cameras were the only cameras at my house; security cameras.

The local state attorney, after conducting an extensive investigation and interviewing the girls herself, a sex crimes prosecutor with over 13 years experience, and who had herself authored the more tough legislations dealing with sex crimes, said in her own words, "There are no real victims here. The girls knew they were going to a house in Palm Beach, they had their boyfriends or family members drive them to the house and wait outside, and then they encouraged their friends to go." Many of the girls interviewed were in their mid twenties, some in their early thirties, and some younger than 18. The girl that the newspapers have referred to as a fourteen year old told the police that she had repeatedly told me that she was 18 and a senior in high school, like many of the massage parlor girls told me, and in her own words to the police, said the reason she said she was 18 was that she was told if she didn't, MR EPSTEIN would not let her in the house. These reports are available.

The state attorney offered me to take a plea to aggravated assault with only probation. My attorneys told me that it would be forever a blight on my record, and I should refuse the deal. I did so. The state attorney, Barry Krisher, took the unusual step of bringing the facts before a state grand jury. In Florida, this happens most often in capital murder cases, not prostitution in someone's own home. To be certain that the public would not criticize the outcome, the state grand jury was given all the evidence and returned a verdict of Solicitation of Prostitution. Solicitation, a non-registrable offense which carries with it a sentence of mandatory

probation. Mandatory probation; solicitation is one of the few statues that has such a designation. The local police chief, however, met this charge with great disdain. He believed something untoward had gone on for the grand jury to return such a mild verdict after his department had spent hundreds of thousands of dollars examining the behavior of a resident that rarely left his house. Women seemed to come and go, women of ALL ages. Some masseuses interviewed were in their sixties, some were men.

The police chief, unhappy with the decision of twelve Florida citizens that weighed the evidence, took the unprecedented step of releasing the raw police reports to the press. The raw sewage of an investigation not corroborated, or as it turns out, not even transcribed from the actual interview tapes correctly. Before a plea to the indictment was entered and the case was still open, he released the reports and then sent a letter off to the parents of some of the girls and to the FBI asking for their assistance. Only two days after the grand jury decided that I should only be charged with solicitation of prostitution, NOT underage women, not pimping, but using prostitutes as a john, I received my first FEDERAL subpoena. What resulted after a thirteen month investigation and can be read in my non prosecution agreement, was the federal government threatened me with a fifty page indictment alleging that I had broken federal law, though all actions took place in my home in Florida, the women were from Florida, and no interstate travel took place. The AUSA said that my secretary had made telephone calls to the women. Many of those calls were return calls, and the use of the telephone by my secretary to confirm massage appointments, was equivalent federally to some guy surfing the internet, knowing full well that the person on the other end of the connection is under age, and trying to coerce them into some illegal sex activity. The internet luring statute says that someone uses the means of interstate commerce, (in my case it was a phone) to knowingly coerce underage persons into sex. This was the first time in history that this statute would be stretched, twisted beyond all recognition in an attempt to threaten prosecution. I had hired Ken Starr, former Solicitor General; Alan Dershowitz, law professor; Roy Black, trial attorney; Joe Whitley, former assistant attorney general; and Guy Lewis former US attorney in South Florida, to defend me against what each one of them had said was no federal crime. Ken Starr wrote a brief using a federalism argument that made it clear that my crime of being a john could not be a federal crime. It was to no avail. What the federal government required was as follows: They required that my defense team, not the feds, but my team, go to the state attorney and ask that he up my charge to a pimping charge; a charge that carried with it sex registration. They would not give him the facts to support that charge, or give me evidence they said they had that I had under Florida law received money FROM these girls to offer them out as prostitutes. Florida law is very clear, that the pimp must have a financial benefit from the crime. It would be our responsibility to ask the state attorney to up my charge and agree to sentence me to 18 months in jail and a year of house arrest. In the history of the state attorneys office, they have no other instance of someone requesting a higher charge than what the grand jury decided and a harsher penalty.

In addition, the federal government would require me to pay a minimum of $50,000 to each woman on a list of women that they would choose. A list that would be kept

secret; no names on their list would be disclosed to my attorneys or myself until I was already firmly in a jail cell. A list that we would not only be obliged to pay money to, but if any of the women did not accept the $50,000, I would be required to pay an attorney, chosen by the government, to represent the women to enable them to sue me; I would have to pay their attorney fees. I would be given the names of the women after being in jail, would not be allowed to appeal this deal, pay women, some of whom I had never even met, and if I chose to fight this deal, I would be threatened over and over with being in breach of my agreement. The attorney chosen by the government to represent these women hired his own daughter, a sitting state prosecutor, who received special leave to represent these women, and though she continued to receive her state salary, billed me over $800,000 in a period of one year to represent women suing me. When my side raised objections, we were told that if we fought this, the government would declare a breach of my agreement and indict me. The AUSA actually filed an affidavit with the court that stated that "The protection from the government that Epstein thought he bargained for really is "illusory", we can always bring a case against him for the live span of any woman we think has been a victim."

After serving my sentence, I was sued by many women on the government list. During many of the depositions taken in those cases, the women admitted to the following: they had many other clients, they got paid thousands of dollars a week to work in the local massage parlors and sex clubs, they kept their list of johns in their Bible. Many had abusive boyfriends and abortions way before they ever met me, though they claimed sex assault abuse and various other sex claims. Most later brought their best friends to the house who also claimed the same abuse in the hopes of getting money.

With what the newspapers had called a dream team, each and every lawyer, when they saw the result of the negotiations, said with incredulity, "We have never seen anything like this before". I had never left my house and the women had not traveled on my planes or to another state. I had never made money off of these women. I was a consumer of prostitution, a john. The government said that they could invoke a statute for travel for the purpose of sex, which would be the equivalent to tourists who sign on to fake web sites advertising sex with minors in Cambodia, Thailand and other third world countries. The government said that they could charge me with traveling to Florida to have sex with an underage girl, even though sex with 16 year olds is legal in New Jersey and Pennsylvania and sex with 17 year olds is legal in New York. They suggested that they would indict me for traveling to Florida FOR THE PURPOSE of having sex with minors. Not withstanding the fact that I had a home in Florida for 15 years, regularly traveled to see my brother, mother and business associates. They said that they thought a novel application could at least get me indicted, unless I took the state plea deal. I had little choice. The crimes they alleged, no matter what the likelihood of success, carried with them a minimum mandatory 10-year sentence. I recognize that I am not a sympathetic figure, and had to decide whether to risk a trial where the jury would see an older man and young women that would be paraded in Sunday school outfits during the trial.

I have shown poor judgment in the past, and have paid a heavy price for those mistakes. I had hoped to move forward with my science philanthropy and helping those less privileged than myself. Then came Scott Rothstein.

Scott Rothstein was the senior partner of RRA . He is currently serving a 50 -year prison sentence for perpetrating the largest fraud in South Florida's history. He decided that sex allegations made against me could be used to fleece hundreds of investors out of hundreds of millions of dollars. He recruited Brad Edwards, a smalltime Ft. Lauderdale attorney who had access to some of the women on the government list. Rothstein forged Judges signatures, hid behind attorney client privilege, secrecy of legal docu, work product, cover letter; giving illegal investigative activity the protection normally reserved for lawyers and their legitimate clients. He falsely told investors that I had settled cases with him for hundreds of millions of dollars, but the women wanted their money right away. If they gave him 30 million dollars now, he could give part of it to the women who wanted to remain anonymous, they would go off into the sunset with their money, and the full payment would be made to the investors. Investors that would be getting 50- 100% return on their money for taking advantage of the same women who allegedly had come in contact with me. Bill Schere, an attorney in Broward, has filed 147 complaints against Scott Rothstein and the firm.

The attorney for the women, aware that I would be loathe in involve innocent friends in problems that were strictly of my own making, subpoenaed names and tried to smear any friend or mine whose name appeared in print previously. They contacted Bill Clinton, Donald Trump, David Copperfield; innocent bystanders with no knowledge of any of my actions whatsoever. I settled the cases rather than forcing both the women and others to be subject to a public questioning of their lives.

It appears that the Rothstein firm had continuing help from the government throughout their civil litigations. Emails received as a result of a recent subpoena show descriptions such as, "received info from current FBI agents".

The former Rothstein partners subpoenaed my attorney for all correspondence regarding my plea with the US attorney. Though highly unusual, the government sided with the former Rothstein partners and agreed we needed to produce all the correspondence between the government and my attorneys.

During the civil deposition of my former houseman, Alfredo Rodriguez, attended by a new attorney from the Rothstein firm, whose name appears on the record as CARA Holmes, [also appears as Carolyn Holmes, also appears as Kara Holmes], the houseman allegedly said that he had stolen a book from my house with telephone numbers in it that the government wanted. This was in July of 2009. I believe that

the attorneys went to outside counsel Kendall Coffey, and asked whether or not they could buy the book for the $50,000 that the houseman had asked for it. THREE months later, the FBI and the same AUSA that had headed my prosecution set up my houseman in a sting. It appears that while using a lawyer from the RRA firm, Brad Edwards, as a confidential informant for the government at the same time that Scott Rothstein was using me and the allegations against me to fleece his victims, the US attorneys' office was sitting in the Rothstein offices planning a sting operation, while right next door, Scott Rothstein was making off to Morocco in an attempt to flee the country. Alfredo Rodriguez was prosecuted by the same AUSA and received an 18-month sentence; however, it also appeared that on the very same day of his sting arrest, he bought an illegal gun, and was later sentenced to four years in prison. Who Cara Holmes is, and what her role was in RRA is still a mystery to us. She appears to be a former FBI agent out of the Chicago office. She joined the Rothstein firm in May of 2009, and joined the Florida Bar at the same time. She attended depositions of my pilots and my houseman. She communicated regularly with Brad Edwards and the investigators on my case. The email traffic is extensive.

The telephone book that Alfredo Rodriguez had stolen from my house was then turned over(by the government?) to the same attorneys who had been told they could not buy it as they would have been buying stolen property. Brad Edwards, the former partner of Scott Rothstein, then used the purloined book to send out letters to everyone in the book, asking for additional stories of my wrongdoing in the past five years with the hopes of getting new clients. The letter was structured so as to circumvent the ethical rules regarding trolling for clients.

While I was serving my sentence, my lawyers were able to come see me in jail. Only two months after being incarcerated, my in house lawyer came to see me to tell me that we were now conducting an audit of legal fees paid to date. They had discovered that Gerald Lefcourt, my primary defense attorney, had taken out cash to the tune of $800,000, that according to his own accountant, he was not entitled to. He had simply prepared invoices that said, "Please pay another $100,000 or $200,000". Though he had been asked on multiple occasions to substantiate the bills, his response would be, "We are working full time for you". I pointed out that his was not the only firm working for me, but he replied, "Would you like me to quit?" He eventually returned over $400,000 over a period of time, as he said that his cash flow could not handle the strain. He said that he was still owed for things like taxi fair, coffee and doughnuts, detailed for $2.53, and would keep $400,000.

I was told that I should hire Guy Lewis, a former US Attorney in the Southern District. Lewis, a southern style gentleman; white suits, fast cars; said he had a great relationship with the current US Attorney, Alex Acosta, and the people in Washington that would potentially need to review what ever happened in South Florida. He wanted a $100,000 per month retainer, and with this, his partner Mike

Tein would represent me. Upon review of Lewis' background, it was suggested that he might now not have the credibility that he had represented, and rumors were that he had been asked to leave the Department of Justice for inappropriate billing. I told him in no uncertain terms that if this were true he would need to tell me, as he was representing my credibility with the government. If he had been asked to leave the Department of Justice, it would dramatically hurt my chances if it were he making my case to senior officials. He swore up and down, as southerners are apt to do, that there was no truth whatsoever to the allegations. Being charged with untrue allegations rang close to my heart, and I chose to side with Lewis. Only after my incarceration, when Lewis and Tein came to see me in a 9'x 10' attorney room that smelled of urine, and I told them that I was now being sued by many of the girls on the government list, they expressed their regrets and their willingness to help. However, as they walked out down the dungeon like hall with the sound of clanging gates in the background, they were unaware of the security cameras and microphones throughout the hallway. They chose to high-five one another on camera and smile with the comment, "This is going to be a couple more years of fees". The guards at the jail, accustomed to some of the most heinous physical crimes imaginable, and hardened against most of humanity's foibles, were caught off guard by the exhilaration of the potential of more fees.

Sex for money; it's a sensitive subject. The reactions range from Andrew Dworkin the feminist who considers all intercourse a form of rape; man inserting his authority, to Jackie Mason that posits that when a man takes a woman for dinner, many times his real motivation is the hope of receiving sex at the end of the evening. He suggests it is hypocritical for the man to be able to pay the florist for flowers, the doorman for getting a cab, the restaurant for the food, and the liquor store for the gift of wine, but can't pay the only person that performs the actual sex act without committing a crime. Yes, I paid for sex. I am a john. Yes, I understand that prostitution is a crime and a crime that very few johns have even gone to jail for. I am aware that there are strong feelings amongst many people regarding that crime. Many countries have legalized it, some states have legalized it; many have a policy of no enforcement. New York City has escort services that openly advertise, massage parlors that have neon signs in midtown. In actual fact, the crime of paying for sex at the time of my transgressions was under penal code 230; equivalent to that of jay walking unless the girl was under 15. Yes, under the age of 15. That was in New York. In Florida, the age of consent is 18. Misrepresentation of age is not considered a defense. Even if the girl worked in a sex establishment where one has to prove age to work, if the girl was met in a bar where the drinking age is 21, or shows ID that appears to be valid that she is over 18, that is not a defense. The State Attorneys who deal with this sort of crime on a regular basis reviewed the case brought by the local police, and said in no uncertain terms that there "were no real victims " in the Epstein case. NO real victims. Their words; they said the women knew what they were doing. They even brought their best friends to Epstein's house after going there a number of times themselves. How could there be a serious crime?

The AUSA decided that she would protect the young women of Palm Beach. She saw a need for child safety everywhere she looked. She has been chastised twice by local judges for hiding information from and misleading the court, and had a supervisor represent her in front of a judge that would have disciplined her. Her first subpoena to me asked for all my tax returns, my medical records, my phone book, my plane logs.

The women came to my house. I usually exercised every day followed by a massage. Most of the time, I would be on the telephone when a woman was brought into the room. Many times they rubbed my feet or back. I never spoke to them at all, because I would be on the phone. The room was dimmed, and often I would not even see the woman. If not on the phone, I would talk to the woman. NO intercourse ever occurred; most women testified they never touched my genitals at all. NEVER. These depositions were taken as a result of the government supported civil suits against me.

From: Terje Rod-Larsen [[redacted]]
Sent: 5/27/2017 11:19:59 AM
To: Jeffrey Epstein [Jeevacation@gmail.com]
Subject: Fwd: US Saudi Arms deal but Note Blackstone Infrastructure Fund with SAMA

Importance: High

Sent from my iPhone

Begin forwarded message:

From: Richard John Nawrot <[redacted]>
Date: May 23, 2017 at 15:13:12 GMT+4
To: Terje Rod-Larsen <[redacted]>
Cc: Andreas Kraus <[redacted]>, George Henderson <[redacted]>
Subject: US Saudi Arms deal but Note Blackstone Infrastructure Fund with SAMA

Terje, the attached article appeared in todays FT, I have removed the defence part related to the US$110bn arms deal but highlighted the separate deal done with Blackstone to establish a fund for US infrastructure this is akin / precedent to what we seek to achieve with SAMA focused on global investment fund in Airport Infrastructure — Best Richard.

US President Donald Trump began his first foreign trip with a stop in Saudi Arabia, where a $110bn arms package was announced that the White House hopes will help Saudi Arabia and other gulf states combat terrorism in the region and ward off threats from Iran.

US defence companies lifted by Saudi deals

Lockheed Martin and Boeing stand out after Saudi Arabia signs a flurry of deals

Separately, the kingdom's sovereign wealth fund has also announced a large investment in US infrastructure through a new Blackstone fund. The sovereign Public Investment Fund intends to invest $20bn into Blackstone's new vehicle, with a further $20bn coming from other investors. The group's stock price rose 6.7 per cent to $31.88.

From: Edward Epstein [redacted]
Sent: 8/18/2017 1:23:10 PM
To: Jeff Epstein [jeevacation@gmail.com]
Subject: FYI

Importance: High

Hi Jeff
I thought this might interest you

Edward Jay Epstein
July 31, 2017
Politics and law

The 2016 presidential campaign was marked by three disclosure operations, all of which appear to have had a single author. "Oppo research" is the euphemism commonly used in elections for such operations. The mechanism is fairly simple: dirt is obtained from wherever it can be found to discredit an opponent. It is then "leaked," usually either anonymously or on background, to targeted media channels. What makes the 2016 campaign particularly interesting from a counterintelligence perspective is not that both sides had their own disclosure operations, but that both sides were offered the dirt for them by a common source: Russian intelligence.

As we now know from the emails of Donald Trump Jr., a thinly veiled intermediary, Natalya Veselnitskaya, offered the Trump campaign documents that putatively would show that Hillary Clinton had received illegal donations from Russian financiers; in the event, no such documents were proffered. But it is a reasonable assumption that Veselnitskaya could not have made such an offer, especially in a meeting attended by three other Russians, unless the move was approved by the FSB, the Russian security service.

A second disclosure operation, this one involving supporters of the Clinton campaign, was more layered. The proximate intermediary was Fusion GPS, a research firm used by the law firm Baker Hostetler, and the secondary "cut-out" was the British firm Orbis, co-founded by former MI-6 officer Christopher Steele. We know something about this sub-contractor from the depositions Steele gave in defending a libel suit in London. According to Steele, Fusion GPS not only had him prepare the so-called "dossier" on Trump but also directed Steele to "leak" it to specified reporters at *Mother Jones*, *Yahoo*, the *New York Times*, the *Washington Post*, *The New Yorker*, and CNN. In some cases, Steele was directed to brief the selected journalists personally. The dirt in these "leaks" relied heavily on information supplied by two Russian government sources: Source A, whom Steele calls "a senior Russian Foreign Ministry figure"; and Source B, "a former top-level intelligence officer still active in the Kremlin." Sources A and B provided information supposedly exposing a long-time Russian FSB operation to get compromising information that could be used to control Trump. The idea that two Russian intelligence sources would reveal a long-time Kremlin-backed FSB operation bears further examination.

Michael Morell, a former acting CIA director, casts light on the sourcing of the dirt in the Steele dossier. "I had two questions when I first read [the dossier]," Morell said in an NBC interview. "One was, how did Chris [Steele] talk to these sources? I have subsequently learned that he used intermediaries. I asked myself, why did these guys provide this information, what was their motivation? And I subsequently learned that he paid them. That the intermediaries paid the sources and the intermediaries got the money from Chris."

Paying ex-FSB officers for sensitive information? As Steele is no doubt aware, there is no such thing as an *ex*-FSB officer. All Russian intelligence officers, whether currently or formerly employed, if in Russia, operate under the same tough security regime. The selling of secret information by them is espionage, pure and simple. Selling it to someone connected to an adversary intelligence service greatly compounds the crime. Sources A and B (through their intermediaries) knew that they were dealing with an ex-MI-6 man who could use their betrayal of secrets against them. The only safe way for A and B to provide the requested dirt would be to clear it with the security regime at the FSB. This precaution, a required step in such exchanges, would mean that the dirt in the dossier, whether true or false, was curated by the FSB and spoon-fed to Steele. If so, the FSB was the surreptitious provider of this part of the Steele dossier.

The third disclosure operation involved stolen emails from the DNC bearing on the unfair treatment by Democratic Party officials of Bernie Sanders, which were posted on the DC Leaks website. President Obama identified the Kremlin as the author of this operation, saying "These data theft and disclosure activities could only have been directed by the highest levels of the Russian government." If so, as in the previous cases, the FSB would have curated the dirt. To be sure, oppo-research operatives, because of their singular focus on getting usable slime, are highly vulnerable to shady offers, but why would Russia so blatantly feed the slime to all sides in a campaign?

The United States has a wide array of tools for monitoring Russian intelligence, including the world's most sophisticated sensors for intercepting signals, but discovering the Kremlin's motives remains an elusive enterprise because, unlike in a scientific inquiry, one cannot fully trust the observable data. While a scientist can safely assume that the microbes he observes through the lens of a microscope are not employing guile to mislead him, an intelligence analyst cannot make similar assumptions about the content of intercepted communications from Russia. If one assumes that the Russians do not know that the channel is being monitored—an assumption which, following the defection of Edward Snowden to Russia, is hard to make prudently—then the intelligence gleaned from that channel can reveal the Kremlin's activities and motive. If, however, it is understood that the Russians know that a channel is being monitored, the information conveyed over it can be considered a disclosure operation.

If, for example, a Mafia family finds out that the FBI is tapping its telephone lines, it can use those lines to burn its rivals. The Kremlin can also use a *known*tapped phone line to its advantage. Consider, for example, the tapped phone of Russian ambassador Sergey Kislyak. On December 1, 2016, Kislyak went to Trump Tower to meet Jared Kushner and Michael Flynn. According to Kushner's version of that meeting, Kislyak suggested that Russian generals could supply information about Russian military operations in Syria on the condition that the Trump transition team provide a "secure line in the transition office." Of course, as Kislyak likely knew, transition teams don't have secure lines to Moscow. Kushner responded by asking if the Russian embassy

could supply such a "secure line." Kislyak then used an open phone line at his embassy to relay Kushner's response to his foreign ministry in Moscow. It is inconceivable that Kislyak did not know that the call would be monitored by the FBI, since the FBI had routinely listened in on these lines for the past 68 years, or that his discussion of Kushner's request would set off alarm bells in the intelligence community.

If Kislyak had wanted to hide this exchange from U.S. intelligence, he could have easily sent it under diplomatic cover directly to Moscow, used a secure line, or relayed it in a coded fashion. By communicating the message *en clair*, or in plaintext, Kislyak skillfully exposed Kushner's incredibly stupid response, which he himself had provoked, to stoke distrust about the incoming president within the U.S. intelligence community. Nor was this the only mistrust Kislyak cultivated: the conversations on the monitored phone led to the firing of National Security Advisor Michael Flynn, and conversations that Kislyak had with Attorney General Jeff Sessions led to Sessions's recusing himself from the Russian investigation, which has now driven a wedge between President Trump and one of his most effective and popular cabinet members.

Kislyak's resume indicates that he is a well-regarded and competent player in the game of nations: he has served as Second Secretary of the Soviet UN mission in New York, First Secretary of the Soviet Embassy in Washington, Deputy Director of the Soviet Department of International Organizations in Moscow, Permanent Russian representative to NATO in Brussels, Deputy Foreign Minister, and Ambassador to the United States. Nothing in his 37-year career, either during or after the Cold War, suggests that his moves are not aligned with Kremlin strategy.

But when it comes to the various disclosures and interventions surrounding the 2016 election, what exactly was that strategy?

In a report issued on January 6, 2017, entitled "Assessing Russian Activities and Intentions in Recent U.S. Elections," the U.S. intelligence community concluded, based both on its sources and its analysis of stories on the Russian-controlled network RT, that Putin wanted to hurt Clinton, help Trump, and discredit the American election. These may well have been motives of the Russian president, but the narrowly focused assessment fails to explain, or even take into account, Kislyak's post-election ensnarement of Kushner, or the discrediting dirt against Trump. If Putin had really wanted to help Trump win the election, why did Russian sources provide damaging dirt to Steele, which could have cost Trump the election? Why did Kislyak provide the FBI with information, via a known tapped line, that could (and did) compromise key members of Trump's administration?

A wider focus can be found, of all places, in Oliver Stone's revealing, if fawning, four-hour interview with Putin, in which the Russian dictator makes clear that he views American hegemony, including America's standing and respect in the international community, as a threat that Russia must counter. One way to undermine America's standing is to provide disclosures that can be used by its own political factions, and the media, to sow distrust in America's reliability as a democracy founded on transparency. Putin tells the truth when he says that it doesn't matter particularly to Russia whether Clinton or Trump won the election: his goal was to install doubt in the legitimacy of the process, regardless of how it turned out.

Edward Jay Epstein's most recent book is* How America Lost Its Secrets: Edward Snowden, the Man and the Theft*, published by Alfred A. Knopf in January.

January 30, 2018 05:01 AM GMT

Alternative Asset Managers

Can Alts Unlock Value with C-Corp Conversions?

We think APO could unlock the most value by converting to a C-corp with 26% in our upside case vs. -14% in our downside case. ARES could be the first to convert, but this is largely priced in. These firms have more sticky management fee-related earnings vs. BX/CG/KKR that may see less benefit.

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For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

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Brokers & Asset Managers
North America Industry View

In-Line

We believe ARES could be the first Alt stock to convert; we would view that as a positive catalyst for the group that, if successful, could lead others to follow. ARES reports 4Q earnings on February 15, and we expect a potential announcement or indications of mgmt© intentions and/or timing. C-corp conversion has dominated our conversations with investors of late with increased inbound questions including interest from some new to the Alts. As a result, in this report we expand on prior work here, and here, creating a C-corp conversion scorecard with qualitative pros/cons for each company. We also evaluate the potential valuation impact if Alts convert, and we take a deep dive into how the market might value two earnings components in a C-corp structure: 1) sticky, recurring management fee-related earnings and 2) performance fees.

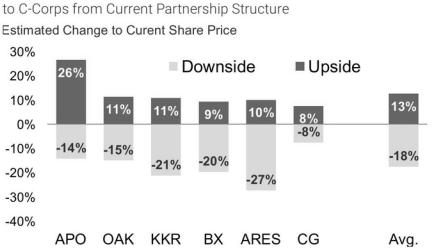
We see an opportunity for Alts to unlock value by shedding the partnership structure and converting to C-corps. Changing from a partnership structure could help alleviate the complexities of current K-1 tax reporting and expand the universe of eligible investors in the Alts. Some investors today are restricted from investing in limited partnerships, while others don©want the operational and tax complexities of investing in a partnership structure.

Management fee-related earnings could re-rate higher toward 22.5x in our upside case, as we look at three different approaches for valuing this sticky earnings stream: 1) traditional asset manager comps vs. organic growth, 2) publicly traded C-corp Alts comps, and 3) an approach looking at FRE as bond yield proxy with a credit spread, to determinate an appropriate cap rate.

Performance fees appear cheap (at 6.1x) if management fees re-rate to 22.5x in the context of Alts converting to C-corps and a 24% overall tax rate. This suggests the market is misvaluing performance fees, and we could also see Alts performance fee earnings re-rate higher if C-corp conversion expanded the investor base.

We see companies that have a greater skew to management fees as best positioned for conversion, as we see the greatest potential for multiple expansion on for this portion of the earnings. For stocks under coverage, **we see APO as potentially being able to unlock the most value, with near-term upside to current prices of 26%, if the shares re-rate.** We see ARES as another winner from conversion but the we belive this is priced with shares up 23.5% YTD. Our analysis suggests a less favorable upside/downside scenario for conversion for companies under coverage with lower taxes and/or greater exposure to performance fees **(KKR, CG, BX).**

Exhibit 1:
Upside/Downside Scenario Impact to Alts' Share Price if They Convert to C-Corps from Current Partnership Structure



Source: Company Data, Morgan Stanley Research estimates

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Executive Summary

Will the Alts simplify their structure and convert to C-corporations from partnerships? What would this mean for valuations? We think the Tax Cuts and Jobs Act could accelerate cost-benefit analyses and decision-making by management teams as a 21% federal tax rate vs. 35% previously implies less tax leakage and less expense in moving from single-layer taxation to a double taxation structure. While investors would give up economics in the process, the new business structure would, we think, command a higher valuation multiple.

For context, investor questions on the topic have picked up recently, including from a number of long-only accounts, which have historically avoided the Alts. Some investors have said they currently cannot invest in Alts given the partnership structure but would be interested and able to do work on them if they were to convert to C-corps. We had conversations around conversion a year ago as President Trump took office amid promises of tax reform, and the subject came up on nearly every 4Q16 earnings call. Management teams seemed to table the idea because of too many moving parts that needed to be clarified before they conduct a proper cost/benefit analysis. Post tax reform, conversion is at the top of investors@minds and becomes a key debate/catalyst for the sector.

We believe Ares Management L.P. (ARES, Equal-weight) could be the first Alt to convert to a C-corp, potentially sparking other conversions within our coverage. We believe this prospect has likely driven much of the stock©24% return year-to-date and +16% outperformance vs. the S&P 500 and +10% its Alts peers. Over the past few months, ARES management has stated clearly that they have been actively considered conversion. CFO Mike McFerran recently told investors, "This topic has become clearly very elevated in light of possible tax reform. Absent that and even before this became so topical, this is the thing we@e been thinking about. And the overarching question is, can public traded partnerships attract the breadth of shareholder base to support an appropriate valuation notwithstanding some other obstacles." Even without tax reform, the company was considering the structure change, and with a 21% corporate statutory rate (vs. 35%), we believe cost-benefit analysis may make sense for ARES. **The company reports earnings on Thursday, February 15, and we expect an update or additional color on conversion. We think all Alts shares could benefit as investors see a higher probability of others following in their footsteps and/or investors re-rate Alts@FRE higher.**

Against this backdrop, we@e created a conversion scorecard with qualitative pros/cons for each company. *To be clear, these are our views on where conversion makes the most sense and not calls on which companies will commit or the timing of potential conversions.* We focus selectively on the factors we view as most important in deciding whether to convert.

- **FRE % of Earnings** Ð We believe the higher fee related earnings as a % of total earnings, the more likely for a re-rating of the shares and therefore more likely to consider C-corp conversion.
- **Effective Tax Rate** Ð The lower the current tax rate, the more tax slippage if companies convert and are subject to a higher corporate tax rate, and lower EPS. Conversely, companies with a higher tax rate today already have more tax leakage, and thus could make sense to pay a little more tax in a corporate structure for a broader investor base.
- **Current P/E Ratio** Ð The lower the current P/E multiple, the more management may be inclined to take action to drive a re-rating.
- **Management Commentary** Ð Lastly we look at management commentary from earnings calls/conferences to assess the extent that companies are evaluating conversion and seriously considering it as a strategic option.

Exhibit 2:
Based on our qualitative scorecard, our work suggests APO and ARES may be most likely to convert

Company	Rating	Core FRE % of Earnings	ENI Effective Tax Rate	Current P/E ratio (2018e)	Management Commentary	Average Overall Score
ARES (ARES)	Equal-weight	●	◔	◔	●	◔
Apollo (APO)	Overweight	◕	◑	◑	◑	◑
Oaktree (OAK)	Overweight	◑	◑	◔	◑	◑
KKR (KKR)	Equal-weight	◔	○	◕	◕	◑
Carlyle (CG)	Overweight	○	◕	◕	○	◔
Blackstone (BX)	Overweight	◕	○	◑	◑	◔

Source: Company Data, Morgan Stanley Research estimates

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For Ares, we believe conversion makes sense, given the company is largely a play on fee related earnings from draw down funds, separately managed accounts, and their relationship with ARCC, the publicly traded business development company. Earnings from performance fees at ARES are a smaller portion of overall profitability, which is furthered by relatively higher compensation payout on performance fee revenues, which in turn approach 80% in strategies such as private equity vs. peers typically in the 45-55% range. The company could benefit as a first mover and if the stock price reacts favorably, we could see other alternative peers follow suit.

Apollo in our view may stand to benefit the most from conversion with the best risk reward skew in our analysis using a SOTP framework. Why? Similar to ARES, the company has meaningful fee-related earnings as a percentage of overall operating income. This is largely driven by their advisory relationship with Athene, where APO earns a fee on ~$74b of assets and should benefit from additional management fees from the company©most recent $24b flagship private equity fund.

Our deep dive suggests Apollo has relatively longer-duration stickier assets under management vs. peers, which gives us greater confidence in APO© fee-related earnings stability, growth, and potential for a re-rating. Apollo©AUM has a 12-year duration on average (measured as outflows and realizations as a percentage of beginning of period AUM). This is noticeably better than HLNE©at 9.1 years, which trades at 23.4x P/E, and below Partners Group of 16.7 years, which trades at 28x P/E.

We see Blackstone as potentially less likely to convert, but see a more nuanced story at KKR given their token dividend policy; for both we do not see as much valuation upside from a re-rating of FRE multiples. BX and KKR have larger concentration to performance fees and as a result we see less of an impact to potential upside should fee related earnings multiples re-rate. Our estimated tax rates for KKR and BX are also significantly lower than the group given the earnings mix and other offsets. We see a greater downside to current share prices if there was a conversion that had a higher tax drag and multiples did not expand. **That said, KKR has a history of making major changes, such as its payout policy change in 2015** that sharply reduced the dividend with a shift in strategy to grow book value. At the time we thought such a change by KKR was a prelude to converting to a C-corp, as we wrote here. However, the stock has lagged and **KKR©limited/token dividend means investors do not receive the full benefit of a flow through partnership structure** with single-layer taxation. So we again raise the question, Why not convert to a C-corp with a token dividend that is effectively single layer taxation?

C-corp Conversion Could Be the Catalyst to Unlock Value and Drive Multiple Expansion

The alternative asset managers trade at a steep discount to broader financial peers. We believe this is largely due to 4 factors: 1) volatility of the earnings (particulary performance fees) and questions as to alpha persistency going forward by public market investors, 2) complicated business models, 3) corporate governance concerns, and 4) corporate structure as a partnership. We do not expect to see the first three factors change, but conversion could make a meaningful difference by:

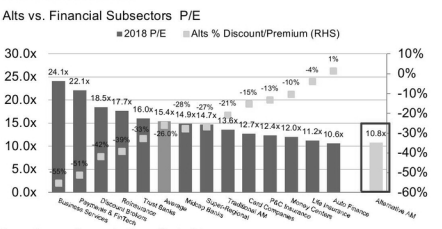
1) Expanding the universe of eligible investors in the Alts,

2) Alleviating the tax complexities of current K-1 tax reporting,

3) Unlocking value via multiple re-rating, particularly for management fee-related earnings in the widely used sum-of-the-parts valuation for Alts. We could also see incremental upside to current valuations if multiples on performance fee earnings adjust upward (more details below).

Exhibit 3:

Alts trade on average FY2 of 10.5x, a 28% discount on average to other financials subsectors



Source: Company Documents, Morgan Stanley Data
Note: P/E multiples for other financials subsectors aside from brokers and asset managers are based on Morgan Stanley Estimates as of 1/18/2017

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On average the group currently trades at 10.8x on 2018e EPS with an average effective tax rate for economic net income (the metric used for EPS calculations) of 9.6%. The low tax rate is a result of favorable treatment of pass-through performance fees and tax offsets. This is well below broader financials peers and on average, a 26% discount to P/E multiples.

Exhibit 4:

Breakeven P/E multiple expansion of 2.1x required to offset 16% lower earnings in a C-corp on average.

Ticker	Current Price	Tax Rate	2018E EPS	P/E	Tax Rate	2018E Pro-Forma EPS @ 24% Tax Rate	EPS % Change	P/E	ΔP/E
APO	$36.42	11.5%	3.68	9.9x	*24%*	3.15	-14.3%	11.5x	**1.7x**
ARES	$24.70	8.7%	1.73	14.3x	*24%*	1.42	-17.7%	17.4x	**3.1x**
BX	$36.78	5.3%	3.26	11.3x	*24%*	2.62	-19.8%	14.1x	**2.8x**
CG	$25.60	17.8%	3.03	8.5x	*24%*	2.80	-7.7%	9.2x	**0.7x**
KKR	$24.40	3.8%	2.74	8.9x	*24%*	2.16	-21.3%	11.3x	**2.4x**
OAK	$45.20	10.5%	3.55	12.7x	*24%*	3.01	-15.1%	15.0x	**2.3x**
Average		***9.6%***	***3.00***	***10.9x***		***2.53***	***-16%***	***13.1x***	***2.1x***

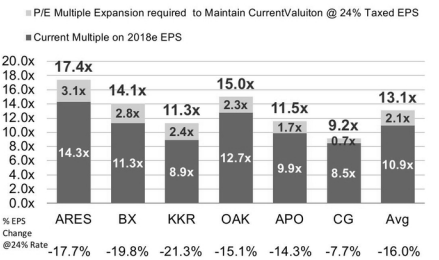
Source: Thomson Reuters Company Data, Morgan Stanley Research estimates

If the Alts converted to C-corps, there would be tax leakage as a result no pass-through of earnings for carried interest and investment income. We estimate an effective tax rate of 24% (21% federal + 3% state and local). The companies may be able to keep some of the tax offsets in place; however, we conservatively use a full 24% to evaluate the earnings impact. **As a result of higher taxes and -16% lower earnings on average in a C-corp, the stocks would need to re-rate upward by 2.1x turns to maintain their current valuations.**

Exhibit 5:

On average we estimate a -16% hit to EPS using a 24% tax rate in a C-corp structure. This would require 2018e multiples to expand 2.1x on average in order for shares to hold the current price

P/E Multiples for Alts: Current vs 24% taxed EPS



Source: Thomson Reuters Company Data, Morgan Stanley Research estimates

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Impact to Current Valuations in Upside and Downside Case

In the sections following we explain in greater detail our approach to potential Upside/Downside scenarios and the impact to valuation under potential conversion. The actual impact is very difficult to quantify given the variety of moving pieces and the reliance on investors to drive the a re-rating. We have presented it as a scenario analysis to evaluate conversion on a risk reward spectrum. Upside/downside scenarios show a positive skew for companies that have higher earnings contribution from management fees vs. more downside skew for companies with more performance fees (less certain re-rating of performance fees).

As the examples herein illustrate, we see significant value in the re-rating of fee-related earnings that could unlock share value and result in higher stock prices. We believe these stable and growing fee earnings can support higher multiples and broader ownership of the Alts and be the catalyst for the re-rating (explained in greater detail in the sections that follow). In both our upside and downside approaches we look at a Sum-of-the-Parts that values at **1)** fee-related earnings, **2)** balance sheet investments and net cash, **3)** the net accrued carry balance, and **4)** future value of carry. In both the current and upside case we use a fully taxed fee-related earnings at a 24% tax rate and our value for the balance sheet remains unchanged in both scenarios as well.

However, we make several adjustments to our upside and downside case to reflect a C-corp structure with full tax rate on all earnings: **1)** Tax the net accrued carry receivable balance at a 24%. **2)** Tax our estimate for average net carry earnings at a full 24% rate. Further, in the upside case we also adjust the multiple upwards for fee related earnings driven by broader ownership of the stocks, and we conserva-

Exhibit 6:

Potential Upside Scenario SOTP Valuation for APO. We see potentially significant value from a re-rating of fee-related earnings driving higher valuation

Apollo Global Management (APO)

	Sum-of-the-Parts Components (APO)	Current Price SOTP	Downside Case C-Corp Conversion	Change	Upside Case C-Corp Conversion	Change
Fee Related Earnings	2018e Pre-Tax Core FRE / Sh	$1.66	$1.66	0%	$1.66	0%
	Tax Rate	24%	24%	0%	24%	0%
	2018e After-Tax Core FRE / Sh	$1.26	$1.26	0%	$1.26	0%
	FRE Multiple	15.0x	15.0x	0.0x	22.5x	7.5x
	Core FRE Value	**$18.94**	**$18.94**	**0%**	**$28.40**	**50%**
+						
Balance Sheet	**Balance Sheet Net Cash and Investments / Sh (as of 3Q17)**	**$2.72**	**$2.72**	**0%**	**$2.72**	**0%**
+						
Accrued Carry	**Net Accrued Carry / Sh (as of 3Q17)**	**$2.16**	**$1.64**	**-24%**	**$1.64**	**-24%**
+						
Market Implied Carry Value	Avg Net Carried interest / Sh (2018e-2020e)	$2.45	$1.86	-24%	$1.86	-24%
	Multiple	5.1x	4.2x	-0.9x	7.1x	2.0x
	Market Implied Carry Value	**$12.61**	**$7.91**	**-37%**	**$13.30**	**6%**
=						
Valuation	**Total Value**	**$36.42**	**$31.20**	**-14%**	**$46.07**	**26%**
	2018e EPS	**$3.68**	**$3.15**	**-14%**	**$3.15**	**-14%**
	P/E	**9.9x**	**9.9x**	**0.0x**	**14.6x**	**4.7x**

Source: Thomson Reuters Company Data, Morgan Stanley Research estimates

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tively adjust upward our multiple on future carried interest earnings by 2 turns. **For Apollo, we see that nearly the entire the increase in value in the upside case is driven by the expansion of the FRE multiple from 15x to 22.5x.**

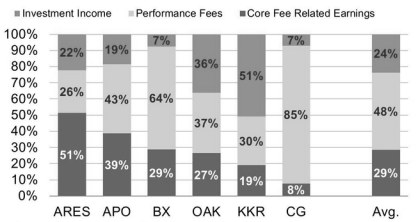
2018 Impact: Upside case impact is +13% vs. current price on average and 3.8x multiple expansion to a fully taxed EPS. In our upside case scenario, we assume a 22.5x multiple on fee-related earnings in our SOTP. We see favorable risk/reward skew **APO.**

Downside case impact assumes no multiple expansion of any kind, and that the stocks trade at their same current P/E, however on lower, fully taxed EPS. This represents -18% average downside from current prices. While this is likely an unreasonable outcome this is the concern among some investors, given that the only certainty in the analysis is a higher tax drag and lower earnings. We see less favorable upside/downside skew **for BX and KKR.**

Exhibit 7:

We see the greatest contribution of fee-related earnings at ARES and APO as a percentage of pre-tax earnings

2018e Pre-Tax Earnings Contribution

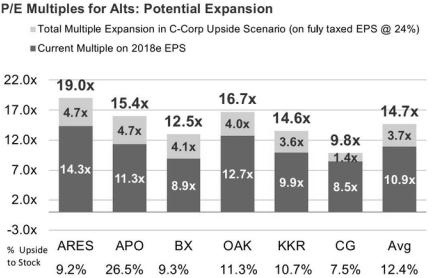


Source: Company Documents, Morgan Stanley Research estimates
Note; Fee Related earnings are on MSe Core methodology, ARES Core FRE include BDC Part 1 Management fees that are typically excluded from MSe Core FRE definition

Exhibit 8:

On average we see potential for 3.7x turns of multiple expansion on in our upside case with fully taxed EPS at a 24% effective rate. This could drive +12% upside on average to current share prices

P/E Multiples for Alts: Potential Expansion



Source: Company Data, Morgan Stanley Research estimates

Exhibit 9:

Summary Scenario Analysis: Potential upside/downside valuation and multiples impact if Alts convert to C-corp structure and pay a full 24% tax rate

		Upside Case Assumptions: 1) Fully taxed earnings and carry receivable balance **2)** 22.5x Multiple on core FRE **3)** Multiple expansion on carry of two turns to an average of 9.5x 2018-20 avg. performance fee earnings				**Downside Case Assumptions: 1)** Fully taxed earnings and carry receivable balance **2)** 15.0x Multiple on Core FRE **3)** No P/E multiple expansion on fully taxed EPS **4)** Back into implied multiple on future carry of 5.6x on avg.			
Ticker	**Current Price**	**Valuation (C-Corp Conversion)**	**Valuation Price/Fully Taxed EPS**	**Δ Current P/E vs. w/ 24% Taxed EPS**	**% Upside Price Change From Current**	**Valuation (C-Corp Conversion)**	**Valuation Price/Fully Taxed EPS**	**Δ Current P/E vs. w/ 24% Taxed EPS**	**% Downside Price Change From Current**
APO	$36.42	$46.07	14.6x	4.7x	26.5%	$31.20	9.9x	0.0x	-14.3%
ARES	$24.70	$27.18	19.1x	4.8x	10.0%	$17.95	12.6x	-1.7x	-27.3%
BX	$36.78	$40.18	15.4x	4.1x	9.3%	$29.51	11.3x	0.0x	-19.8%
CG	$25.60	$27.52	9.8x	1.4x	7.5%	$23.62	8.5x	0.0x	-7.7%
KKR	$24.40	$27.01	12.5x	3.6x	10.7%	$19.21	8.9x	0.0x	-21.3%
OAK	$45.20	$50.31	16.7x	4.0x	11.3%	$38.39	12.7x	0.0x	-15.1%
Average			**14.7x**	**3.8x**	**12.6%**		**10.7x**	**-0.3x**	**-17.6%**
Median			**15.0x**	**4.0x**	**10.4%**		**10.6x**	**0.0x**	**-17.4%**

Source: Company Data, Thomson Reuters, Morgan Stanley Research estimates. Note: Price as of 1/26/2017

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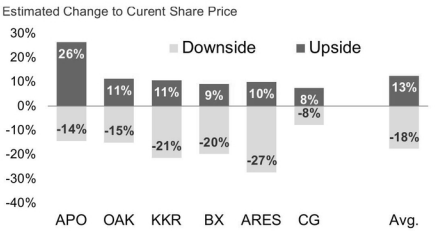
Exhibit 10:

We see more favorable risk-reward skew at APO given greater concentration of fee related earnings vs. performance fees



Source: Company Data, Morgan Stanley Research estimates

ARES Conversion Largely Priced In

With the recent run up of ARES stock price, the market seems to have already priced in a good portion of the upside from conversion. Year to date, ARES has out performed peers by ~10% likely on the back of this expected conversion. As a result we have looked at the share price of ARES at several time periods to assess what is embedded in the price already.

We see the market valuing ARES©FRE at 18.3x, with about 3.4x turns of multiple expansion YTD and pricing in a large degree of the potential benefit from C-corp conversion. This is just under half of the total 7.5x turns of FRE multiple expansion that we expect to see in our upside scenario for the Alts. As a result, our upside/downside from for ARES has a less favorable risk reward skew, as much of the upside is already baked in.

How do we arrive as such an estimate? We start with the 12/31/2017 share price of $20.00. We then gross up this starting point for the broader performance of peers to isolate just the outperformance of ARES vs the group. The alts group ex ARES YTD is up +10% so we use a starting price for ARES of $21.90.

- We first estimate the implied multiple on future carry for ARES at the pro forma stock price before C-corp conversoin began to be priced in. (we explain this in process in greater detail in the section on Deconstructing Our Implied Carry Valuation).
- We then take the current share price today and assume that the run up in price was a result purely from multiple expansion on fee related earnings. In doing this we hold the performance fee multiple and value of future performance fees constant.
- We then back into an implied value of FRE using the various components of the SOTP and the current share price. We divide that value by our 2018e FRE to determine our estimate for baked in multiple expansion at ARES. (Please see **Ares Management SOTP and Sensitivity Analysis** for more details.)

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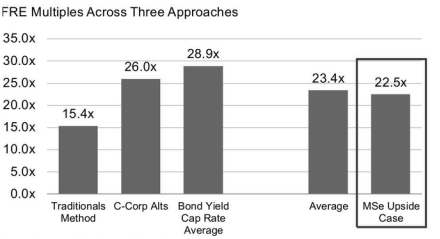
Why Should Fee-Related Earnings Re-Rate Higher?

We point to three approaches to thinking about how to value fee-related earnings and what the right multiple should be on this earnings stream. We believe that under a C-corporation structure with a broader potential investor base and ownership, this portion of the Alts earnings are most likely to re-rate significantly higher while there could be more variability in the multiple investors ascribe to performance fees. We currently believe the market is pricing in fee related earnings around 15x times, a discount to where these earnings could trade up to. As we explain in greater detail in the Appendix, we see ARES as a stock that is likely to convert, and as we take a look at the SOTP, we believe FRE for ARES has already seen significant expansion. We estimate the multiple on ARES FRE has already gone up from 15.0x to 18.4x.

Below we look at where multiples could trade for the broader group as a whole, but acknowledge that investors likely use different FRE multiples for companies to account for duration of assets, growth in AUM, franchise value etc. On average, our three approaches suggest a 23.4x multiple for fee related earnings. In our upside case we use a 22.5x multiple. These multiples are on 2018e fee related earnings as we are trying to evaluate where the stocks trade today, and where they could potentially trade to in the near term.

Exhibit 11:

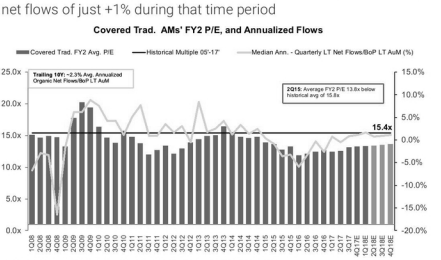
The average of our three approaches to FRE multiples suggests and FRE multiple of 23.4x



Source: Company Data, Morgan Stanley Research estimates

Exhibit 12:

Traditional managers trade at a 15.4x FY2 P/E multiple with average net flows of just +1% during that time period



Source: Thomson Reuters, Company Data, Morgan Stanley Research

1) Premium to Traditionals Asset Managers

We see the historical average P/E multiple for traditional asset managers of 15.4x as a starting point for FRE multiples. The traditional asset manager business model earns management fees with a significantly smaller portion of revenues from performance fees relative to alternative asset managers.

We believe the Alts@management fee earnings, however, command a premium multiple given several factors: A) faster organic growth, B) stickier long-term committed assets, C) fees paid on committed capital which limits downside risk to revenues, and D) more insulation from fee pressure.

A) Faster net organic growth in fee-paying assets under management for Alts vs. slower growth rates at traditional asset managers. The Alts have outpaced organic growth rate of traditional asset mgrs over the past 4 years by nearly 700 bps, and we estimate 900bps of continued outperformance on average from 2018 through 2019. Organic growth has averaged 5% for the alts from the period 2014-17e, while the traditionals have seen net outflows and organic decay of -2%. Looking two years out, we see traditionals net inflows of 1% vs. alts on average at 10% driven by continued fundraising strength and fees turning on for existing funds that have already been raised.

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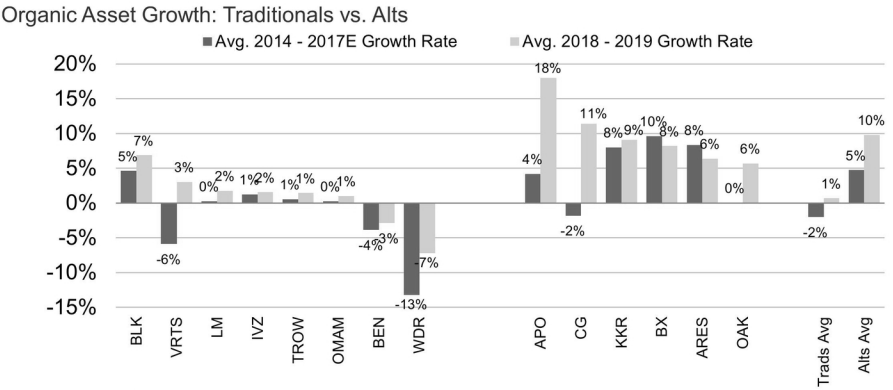
Exhibit 13:

Alts organic growth has outpaced traditionals by 7% over the past 4 years, and we expect average Alts growth over the next to years to be 10x that of Traditionals

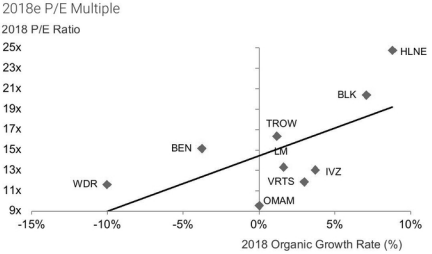


Source: Company Data, Morgan Stanley Research estimates
Note: We look at fee paying AUM for the alts to calculate organic growth

Despite the more favorable view on asset growth, the alternative asset mangers continue to trade at a significant P/E discount to traditionals. The group currently trades at 10.8x MSe 2018 EPS, a 3.0x turn discount to traditionals peers. This however is on total earnings per share, and is inclusive of performance fees which investors use a lower multiple on given volatility. However, we believe a re-rating of the management fee portion of earnings in a SOTP valuation alone could help close the overall P/E gap vs. traditionals.

Exhibit 14:

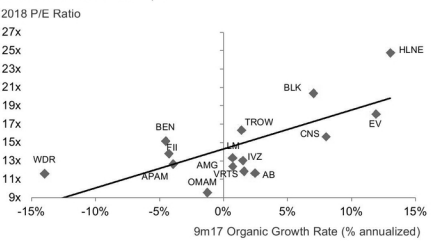
Organic Growth for Traditional Asset Managers (2018e avg) vs. Current 2018e P/E Multiple



Source: Company Data, Morgan Stanley Research estimates

Exhibit 15:

Organic Growth for Traditional Asset Managers (9m17 Annualized) vs. Current 2018e P/E Multiple



Source: Company Data, Morgan Stanley Research estimates

B) Longer-term capital that is committed for a defined period of time and pays fees with an average duration of 12 years in a typical drawdown fund. As you can see in the following exhibit based on full-year 2016 data, we see larger redemption rates from traditional asset managers (those that disclose redemption rates) relative to alts. For traditionals we look at total redemption rates. For the alternatives we look at realizations/harvesting of investments along with redemptions of open ended products from fee paying AUM as it is more comparable to traditional asset managers. If we take 1 divided by the redemption rate, we can back into an average duration of assets under management. For traditionals below (both covered and non covered), this equates to 4.3 years duration and for the alterna-

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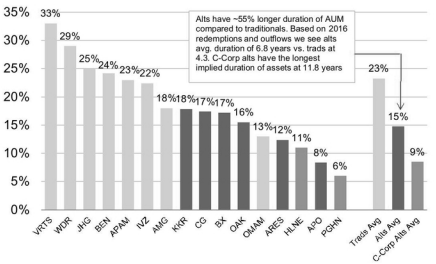
tives 6.8 years. **Said differently, the alternatives have nearly 55% longer duration of the asset base.**

Exhibit 16:

Redemption Rates by Company for 2016: Alts see less redemption money as a % of AuM relative to traditionals and duration of assets ~55% longer and C-corp alts with the longest duration.

Annual Redemption Rates by Company: 2016



Source: We use Fee Paying AUM for the Alts; Soure: Company Data, Morgan Stanley Research

Note: HLNE outflows are for an average of FY 2016 and FY2017

C) Management fees that are paid on committed money rather than net asset value. This provides much more stability and downside protection, but limits upside to management fees as investments appreciate in value do not automatically translate into higher mgmt fees. The Alts then participate in investment performance through performance fees or carried interest, whereas the traditionals participate in performance via greater management fees on a higher value of invested assets.

D) Relatively more insulation from fee pressure in private markets given limited low cost competitors (indexed funds and ETFs for traditionals) and higher demand for products driven by the search for higher return and diversification from investors. In fact, recent demand for some PE funds has actually led to supply constraints and allowed Alts to give less fee concessions. Apollo, for example, closed fundraising for their flagship Fund IX last year at $24b, but the demand was 25% higher at $30b. As a result, the company said "economics to Apollo for Fund IX are considerably better since we did not need to provide as many management fee discounts." This supports the forward look on growth in management fee revenues; however, we could see some mix shift into lower return profile (and lower fee) products that could begin to pressure fee rates over time.

2) Publicly Traded Alts Comps

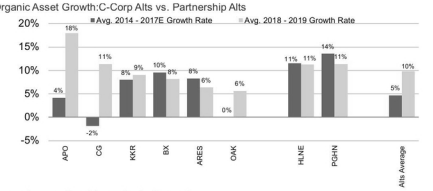
We see Hamilton Lane (HLNE, Equal-weight) and Partners Group (PGHN, Equal-weight, covered by Anil Sharma) as offering an upside scenario for Alts© fee-related earnings multiples. Hamilton Lane is ~90% fee earnings and currently trades at 23.4x multiple on our CY2018e EPS. Similar to alternative asset manager peers, the company gets paid management fees on drawdown funds and customized separately managed accounts with stable fees paid on committed capital. PGHN is a publicly traded alternative asset manager in Switzerland, and as a C-corporation it is the closest true comp for HLNE.

While we see the publicly traded C-corps as good comps, there are several factors that could be elevating the multiples. HLNE is a small cap stock with $2b market cap and may not be the best comp for the large cap PE firms. The company has limited float (currently at ~25%) and scarcity value as the only US based publicly traded alt in a C-corp structure. PGHN is a trades in Europe and may not be a great comp because of that. Lastly, while not drastically different, HLNE and PGHN have had higher organic growth historically and looking out over the next 2 years we expect their growth to outpace most of the alts. As a result of the high multiples at the public C-corp alts, we have heard partnership alts increasingly use HLNE as a peer comp.

Exhibit 17:

We expect Alts to deliver similar organic growth profile over the next few years as C-Corp Alts Hamilton Lane and Partners Group

Organic Asset Growth:C-Corp Alts vs. Partnership Alts



Source: Company Data, Morgan Stanley Research

Note: HLNE average organic growth includes years 2015 - 2017e where we have data; The alts average uses 2014 - 2017e for consistency with the traditionals organic growth chart above

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Exhibit 18:

HLNE Currently Trades 23.4x on FY2 P/E (an 18% premium to when the company began trading after going public in early 2017); Partners Group currently trades at a 28.2x P/E (a 21% premium to its last 3 year average P/E ratio)

C-Corp Alts FY2 P/E Multiple

Source: Thomson Reuters, Morgan Stanley Data

Note: Hamilton FY2 EPS estimates are on the company's fiscal year basis, the twelve months ending 3/31

HLNE and PGHN P/E multiples as of 1/12/2018 based on consensus EPS

3) Bond Yield Approach

Our third approach to coming up with the appropriate multiple for fee-related earnings is to compare fee revenues to a similar to a bond with a 10-year duration given the locked-in nature of committed capital with fees paid on commitments (Par Value) as opposed to paid on NAV. Importantly, **the Alts are increasingly growing permanent capital or very long duration capital that has attractive life-time value of the contract. APO has the largest amount of permanent capital, representing about 43% of AUM, followed by ARES at 16%.** This results in a stable stream of revenues, however there could be variability on the expenses that would impact fee related earnings. Under the bond approach the "default risk" in this scenario would be counter party risk that management fees would not be paid by limited partners. These LPs include sovereign wealth funds, pensions, and other institutional investors that we view as highly unlikely to default.

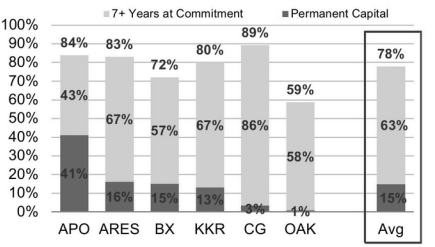
Our methodology starts with the 10-year US treasury yield, given the similar duration to the life of the draw down funds management fees. We then add an appropriate credit spread on top of the 10-year yield to account for the risk that these institutions "miss" payment of their management fees. We also consider the fact that not all fee paying assets under management at the alts are subject to lock ups (such as hedge fund AUM, open ended funds). Those alts with larger amounts of permanent capital or longer duration of assets would suggest a lower credit spread given less risk of lost revenues in our view.

We look at AA and BBB credit spreads as a proxy for high and low "default risk" for LPs paying management fees. AA credit spreads are currently at 53bps and BBB are currently at 122bps. Again, the risk of "default" is likely overstated by using these yields but we show this range to account for other factors including differences in duration of assets. We then add these spreads to the current 10 yr treasury yield of 2.62% to get a yield of 3.15% and 3.84% respectively. Lastly, we capitalize these yields to back into implied FRE multiples by taking 1 divided by each of the yields. This implies a multiple of 31.7x using AA spread and 26.0x using BBB spread. Finally we take an average of the two credit spread approaches to get to 28.9x.

Exhibit 19:

Permanent capital represents 15% of AUM on average for alternatives and we see 63% on average with a contractual life of 7+ years

Alts Contractual Life of AUM



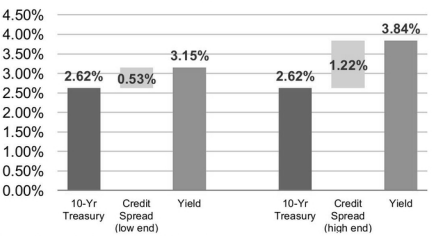
Source: Company Data, Morgan Stanley Research

Note: KKR permanent capital refers to capital of infinite duration. Contractual life of AUM refers to the duration at inception for KKR

Exhibit 20:

Our cap rate approach to valuing FRE implies a multiple of 26.0 to 31.7x based on a yield of 3.15% using a AA credit spread on the 10-year treasury yield and a 3.84% yield using a BBB credit spread

Walk to Assumed Yields for Cap Rates



Source: Thomson Reuters, Morgan Stanley Research

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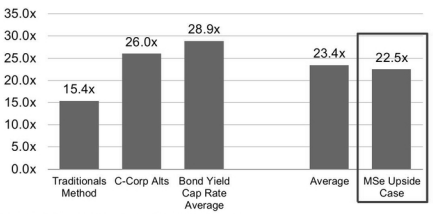
What Is the Impact of Higher FRE Multiples in a SOTP approach?

If we take an average of the three approaches described above of 1) traditionals at a historical 15.4x, 2) publicly traded C-corp alts at an average 26.0x, and 3) our capitalized bond yield approach at an average 28.9x, **we arrive at a 23.4x multiple for fee related earnings.**

Exhibit 21:

The average of our three approaches to FRE multiples suggests and FRE multiple of 23.4x

FRE Multiples Across Three Approaches

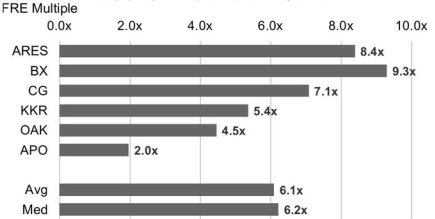


Source: Company Data, Morgan Stanley Research estimates

Exhibit 22:

Using a 22.5x FRE multiple implies an average 6.1x multiple on fully taxed future performance fee earnings

Implied Future Carry (Fully Taxed) Multiples using 22.5x FRE Multiple



Source: Company Data, Morgan Stanley Research estimates

If the market re-rates FRE multiple to 22.5x, then we see the current share price valuing performance fees at 6.1x. This is based on our SOTP framework. (See **Deconstructing Our Implied Carry Valuation: What Is the Market Paying?** for more details on methodology.)

Exhibit 23:

SOTP analysis using a 22.5x FRE multiple and current share price implies future carry is being valued at 6.1x future performance earnings on average

	A			B	C	D	= B+C+D E	F	= A-E-F G	= E+F+G H	I	= G/I J
Ticker	**Current Price**	**2018E Core FRE**	**FRE Multiple**	**Core FRE Value Per Share @ 24% tax Rate**	**After-Tax BDC Value Per Share**	**BS Value Per Share**	**SOTP Value Ex-Carry Per Share**	**After-Tax Net Carry Receivable Per Share @24% Rate**	**Market Implied Value of Future Carry**	**Total Value Per Share**	**After Tax Avg. Net Carry Per Share (2018-2020)**	**Implied Future Carry Multiple**
APO	$36.42	669	**22.5x**	$28.40	$0.00	$2.72	$31.13	$1.64	$3.66	$36.42	$1.86	2.0x
ARES	$24.70	185	**22.5x**	$14.71	$4.52	$0.69	$19.92	$0.78	$3.99	$24.70	$0.48	8.4x
BX	$36.78	1,196	**22.5x**	$17.03	$0.00	$2.83	$19.86	$2.29	$14.63	$36.78	$1.57	9.3x
CG	$25.60	100	**22.5x**	$5.01	$0.00	$0.85	$5.86	$4.40	$15.34	$25.60	$2.17	7.1x
KKR	$24.40	475	**22.5x**	$9.57	$0.00	$9.71	$19.28	$1.32	$3.80	$24.40	$0.71	5.4x
OAK	$45.20	166	**22.5x**	$18.17	$0.00	$15.19	$33.36	$4.38	$7.47	$45.20	$1.68	4.5x
											Average	**6.1x**
											Median	**6.2x**

Source: Company Data, Morgan Stanley Research estimates

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What Is the Appropriate Multiple for Performance Fees?

Investors have a wide dispersion of responses on what is the appropriate multiple for performance fees. We believe that at current share prices, the market is valuing fee-related earnings 15.0x. This represents an 1.8x turn premium or +13% premium to current traditional multiples on 2018e EPS of 13.2x. Using this as a starting point, **we see the market valuing performance fees at 7.5x on average using a sum of the parts framework**. If we assume C-corp conversion with a higher 24% tax rate, and believe alts@fee related earnings can re-rate from 15x to 22.5x, then we see the market valuing performance fees at just 6.1x on average today.

Where should performance fee-related earnings trade? Given that carry earnings (performance fees) are cyclical and historically volatile, we look to Goldman Sachs as a comp for this earnings stream. On average since 2010 (post crisis) the FY2 price to earnings multiple at GS has been 9.5x, with a standard deviation of 1.4x.
We see a range of multiples of +6.7x to +12.3x using two standard deviations above and below the average. We see this as reasonable starting point for valuing performance fees. The group average implied future carry multiple of 7.5x is 1.4 standard deviations away from GS FY2 P/E multiple. If alts convert, we believe this multiple should be able to move upward but will likely remain at a steep discount to the FRE multiple given the volatile nature of the performance fees. In our upside case scenario, we bake in two turns of multiple expansion from current implied rate for each company. This results in median performance fee multiple across the group of 8.5x, about slightly less than one standard deviation from GS FY2 multiple since dating back to 2010.

On a cash basis, the volatility of performance fee earnings (net cash carry) for the alts on a TTM basis has been fairly similar to the volatility of Goldman Sachs@ operating earnings. For Goldman, we look at operating earnings both with and without investment management revenues to isolate the more volatile businesses. The following bar graph looks at the standard deviation of the year over year % change of the trailing twelve months earnings. The alts average is 1.2 about double the volatility of GS (ex investment management) of 0.6. This suggests even further upside and greater conviction in our multiples for performance fee multiples, especially for those companies with less volatility (Carlyle and KKR).

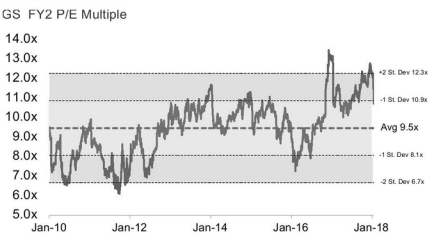
Exhibit 24:
With a 24% tax rate on all earnings and a 22.5x FRE multiple, we see future performance fees valued at and implied 6.1x multiple on average.

	Implied Future Carry Multiple using a 15.0x FRE multiple	Implied Future Carry Multiple using a 22.5x FRE multiple
APO	5.1x	2.0x
ARES	11.6x	8.4x
BX	9.5x	9.3x
CG	6.0x	7.1x
KKR	7.0x	5.4x
OAK	5.5x	4.5x
Avg.	**7.5x**	**6.1x**
Med.	**6.5x**	**6.2x**

Source: Company Data, Morgan Stanley Research

Note: We use a 18.4x multiple for ARES as the stock has already priced in much of the potential value of C-corp conversion Note 2: Scenario using 15x FRE does not use fully taxed net accrued carry and future carry while the scenario using a 22.5x FRE multiple assumes C-corp conversion and full 24% effective tax rate on both net accrued carry and future carry earnings.

Exhibit 25:
Goldman sachs has historically traded at an average FY2 P/E of 9.5x and a standard deviation of 1.4x



Source: Thomson Reuters, Company Data , Morgan Stanley research

Note.: Data includes daily FY2 P/E ratios to calculate standard deviation of P/E ratios using data beginning January 2010

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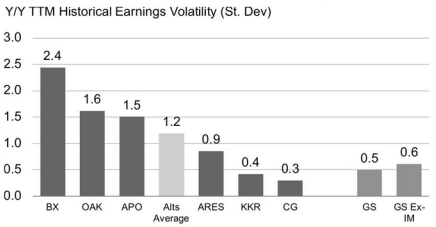
Exhibit 26:

Alts Net Cash Carry Volatility vs. GS earnings volatility on a TTM basis



Source: Company Data, Morgan Stanley Research

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Deconstructing Our Implied Carry Valuation: What Is the Market Paying?

We deconstruct the various pieces of a SOTP for the alts in order to determine our best guess on how much the market is valuing future performance fees. We then divide that implied value by future performance fee earnings, to determine the implied multiple that the market is paying for this earings stream. **This is the groundwork for our upside and downside scenarios** if the alts were to convert to C-corps.

We simplify our the SOTP and standardize it across the group to look at 4 main components. 1) after-tax core fee-related earnings, **2)** balance sheet value of investments plus net cash/debt, **3)** net accrued carry balance, and **4)** future value of performance fees. The values of the balance sheet and net accrued carry receivable are static items with balances as of 3Q17. We then adjust the multiple on our core FRE to determine a value for what we believe the street is using. To be conservative, we use 15x as a starting point for what we believe is currently priced in. We then take the current share price and subtract out the value of the FRE, net accrued carry performance fees and the balance sheet and we are left with an implied value of what the market is pricing in for future carry. Once we have the future carry value, we divide by the net performance fee earnings per share for each company and get an implied multiple on the future performance fees. Using this approach and a 15x multiple on FRE, we see the market is valuing future performance fees at 7.5x on average and a median 6.5x.

We make several key adjustments in the SOTP valuations: First, we use our own Morgan Stanley definition of "core fee-related earnings" in our calculation. We use our core approach as we attempt to normalize the various definitions of FRE across the companies. The main difference vs. company-reported FRE is that we fully burden all expenses, including equity-based compensation. KKR differs the most on company-reported vs. MS Core FRE. For more information on our core FRE methodology, please see our note Alternative Asset Managers: Who©Got Swimsuits? (19 May 2016).

We also make adjustments for ARES an OAK. For **Ares:** a significant portion of the fee related earnings come from Part 1 BDC fees. These are investment income sharing fees from their management agreement with ARCC. In the MS approach, we value these separately from more traditional management fees. However, we do not believe that the market looks at the fees this way, and so we include them in the total FRE by using the same multiple as we are using for FRE (15x). For presentation purposes in the table below, we break out the BDC Part 1 fees separately for ARES to show the value. **OAK:** We adjust the balance of OAK©investments on balance sheet to account for OAK©20% ownership stake in DoubleLine which it currently holds at cost of $21m as adjusted under the equity method of accounting. With the benefit of lower corporate taxes we currently value OAK©ownership stake at $1B. We do not believe the market gives full value for this 20% ownership and haircut our MSe value by 50% to $500m. We then add this value to the balance of investments and net cash for OAK©total balance sheet value.

Exhibit 27:

Market Implied Value of Future Carry at current share price and 15x FRE multiple

	A			B	C	D	= B+C+D E	F	= A-E-F G	= E + F + G H	I	= G/H J
Ticker	Current Price	2018E Core FRE	FRE Multiple	Core FRE Value Per Share @ 24% tax Rate	After-Tax BDC Value Per Share	BS Value Per Share	SOTP Value Ex-Carry Per Share	Pre-Tax Net Carry Receivable Per Share	Market Implied Value of Future Carry	Total Value Per Share	Pre-Tax Avg. Net Carry Per Share (2018-2019)	Implied Future Carry Multiple
APO	$36.42	669	**15.0x**	$18.94	$0.00	$2.72	$21.66	$2.16	$12.61	**$36.42**	$2.45	5.1x
ARES	$24.70	185	**18.4x**	$12.02	$3.70	$0.69	$16.41	$1.03	$7.26	**$24.70**	$0.63	11.6x
BX	$36.78	1,196	**15.0x**	$11.36	$0.00	$2.83	$14.19	$3.01	$19.59	**$36.78**	$2.07	9.5x
CG	$25.60	100	**15.0x**	$3.34	$0.00	$0.85	$4.19	$4.40	$17.01	**$25.60**	$2.85	6.0x
KKR	$24.40	475	**15.0x**	$6.38	$0.00	$9.71	$16.09	$1.74	$6.57	**$24.40**	$0.93	7.0x
OAK	$45.20	166	**15.0x**	$12.11	$0.00	$15.19	$27.30	$5.76	$12.14	**$45.20**	$2.20	5.5x
											Average	**7.5x**
											Median	**6.5x**

Source: Company Data, Morgan Stanley Research estimates

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Upside Scenario

Starting with the framework laid out above, we make several key adjustments in our upside scenario to illustrate where we think multiples go and where the stocks can trade over the near term if the alts convert. Our upside scenario implies an average share price increase of 13% across the group.

- **First we fully tax effect the performance fee earnings.** Under a C-corp structure these would not get the pass-through benefit and would be subject to full taxes. We use a full 24% tax drag on the net accrued carry receivable balance and the future net carry per share.
- **Second we adjust the FRE multiples upward.** As we discussed previously with our three approaches for FRE multiples, we believe there is significant upside to the value of these earnings if alts were to convert. This drives nearly all of the upside from current prices in our upside scenario. We use a 22.5x multiple on FRE in our upside case, which represents 50% increase from the 15x multiple that we believe is priced in today.
- **Last we assume 2x of multiple expansion for performance fees.** As a starting point, we look at the implied multiples using current share prices and a 15x multiple for FRE as described above. We then add 2x turns of multiple expansion to each of the companies@urrent implied multiples. We look to the Goldman Sachs example earlier in the note as a comp for cyclical financials earnings. Our group median for implied future carry multiples of 8.5x is just under one standard deviation away from GS©historical P/E average of 9.5x. Although we use the higher multiple, this is on a lower value of fully taxed future performance fee earnings. The impact to valuation of future performance fees are mixed from company and can be seen in greater detail in the following appendix with company specific SOTP and scenario analysis. **While we expect some multiple expansion for performance fees in a C-corp, the structure will not change the inherent volatility of the performance fee portion of earnings that is marked to market.**

Exhibit 28:

Upside Scenario SOTP Valuation

	A			B	C	D	= B+C+D E	F	G	H	= G x H I	= E + F + I J	
Ticker	Current Price	2018E Core FRE	FRE Multiple	Core FRE Value Per Share @ 24% tax Rate	After-Tax BDC Value Per Share	BS NAV Per Share	SOTP Value Ex-Carry Per Share	After-Tax Net Carry Receivable Per Share @24% Rate	Net Carry Per Share After 24% Tax (Avg. 2018e-2020e)	Future Carry Multiple	Value of Future Carry	Total Value Per Share	% Increase from Current Price
APO	$36.42	669	**22.5x**	$28.40	$0.00	$2.72	$31.13	$1.64	$1.86	**7.1x**	$13.30	**$46.07**	**26%**
ARES	$24.70	185	**22.5x**	$14.71	$4.52	$0.69	$19.92	$0.78	$0.48	**13.6x**	$6.47	**$27.18**	**10%**
BX	$36.78	1,196	**22.5x**	$17.03	$0.00	$2.83	$19.86	$2.29	$1.57	**11.5x**	$18.04	**$40.18**	**9%**
CG	$25.60	100	**22.5x**	$5.01	$0.00	$0.85	$5.86	$4.40	$2.17	**8.0x**	$17.26	**$27.52**	**8%**
KKR	$24.40	475	**22.5x**	$9.57	$0.00	$9.71	$19.28	$1.32	$0.71	**9.0x**	$6.42	**$27.01**	**11%**
OAK	$45.20	166	**22.5x**	$18.17	$0.00	$15.19	$33.36	$4.38	$1.68	**7.5x**	$12.58	**$50.31**	**11%**
									Average	**9.5x**			**13%**
									Median	**8.5x**			**10%**

Source: Company data, Morgan Stanley Research estimates

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Downside Scenario

Our downside scenario is fairly straightforward: We assume that alts convert to C-corps and pay full taxes on earnings but the current p/e multiple does not re-rate upward at all. We assume the stocks trade at their current P/E, but on lower, fully taxed earnings. Therefore, our downside case for share prices is the same percentage downside to EPS if alts earnings are fully taxed. While **we do not believe there is a high probability of this happening, this does represent a worst case scenario** for the names, in our view. On average we see 18% potential downside for the group if this were to happen. We then use a similar approach to deconstruct the SOTP and see what the value for performance fees would be.

- First, we determine the downside case share price by taking fully taxed 2018e EPS (at 24%) and multiplying by the current 2018e P/E (the current P/E using our published EPS and current partnership tax structure).
- In the SOTP, **we assume that fee-related earnings multiples do not re-rate at all in the downside scenario and that the market continues to pay 15x.** We believe there is a floor here in FRE will maintain current value.
- **Similar to the upside case, we then fully tax effect the performance fee earnings** and use a full 24% tax drag on the net accrued carry receivable balance and the future net carry per share.
- We then subtract out the value of the FRE, net accrued carry performance fees (tax adjusted) and the balance sheet value from our downside case derived share price. This gives us our downside case implied value of future carry.
- **Finally, we divide that implied future carry value by our fully taxed performance fee earnings (@24%) to arrive at our downside case implied value of future carry.** On average, our downside case implied future value of carry multiple is 5.6x, nearly 3 standard deviations away Goldman Sachs FY2 P/E.

Exhibit 29:

Downside Scenario SOTP Valuation

	A			B	C	D	= B+C+D E	F	G	H = I / G	I = J-F-E	J	
Ticker	Current Price	2018E Core FRE	FRE Multiple	Core FRE Value Per Share @ 24% tax Rate	After-Tax BDC Value Per Share	BS NAV Per Share	SOTP Value Ex-Carry Per Share	After-Tax Net Carry Receivable Per Share @24% Rate	Net Carry Per Share After 24% Tax (Avg. 2018e-2020e)	Implied Future Carry Multiple	Value of Future Carry	Implied Total Value Per Share	% Increase from Current Price
APO	$36.42	669	**15.0x**	$18.94	$0.00	$2.72	$21.66	$1.64	$1.86	4.2x	$7.91	**$31.20**	**-14%**
ARES	$24.70	185	**15.0x**	$9.81	$3.01	$0.69	$13.51	$0.78	$0.48	7.7x	$3.65	**$17.95**	**-27%**
BX	$36.78	1,196	**15.0x**	$11.36	$0.00	$2.83	$14.19	$2.29	$1.57	8.3x	$13.04	**$29.51**	**-20%**
CG	$25.60	100	**15.0x**	$3.34	$0.00	$0.85	$4.19	$4.40	$2.17	6.9x	$15.03	**$23.62**	**-8%**
KKR	$24.40	475	**15.0x**	$6.38	$0.00	$9.71	$16.09	$1.32	$0.71	2.5x	$1.80	**$19.21**	**-21%**
OAK	$45.20	166	**15.0x**	$12.11	$0.00	$15.19	$27.30	$4.38	$1.68	4.0x	$6.71	**$38.39**	**-15%**
									Average	**5.6x**			**-18%**
									Median	**5.6x**			**-17%**

Source: Company Data, Morgan Stanley Research estimates

HOUSE_OVERSIGHT_025570

Appendix A: Company Scenario Analysis

In the following tables, we flex the inputs in our SOTP valuation methodology to take a look at the potential impact at varying fee related earnings multiples and multiples on future carry. We use the same assumptions that we used in our upside scenario above, including a fully taxed (@24%) net carry receivable value as well as using a multiple on after tax net carry per share for future performance fees.

For fee-related earnings, we use constant multiples for all companies. We begin with 12.5x, a slight discount to where the traditional asset managers trade today, and end at 30x, or closer to our bond yield cap rate multiple approach.

On performance fees, we set the mid point at our estimate for the current market implied multiple on performance fees (using a 15x FRE as our starting point), as explained in our valuation methodology above.

HOUSE_OVERSIGHT_025571

Apollo Global Management SOTP and Sensitivity Analysis

Exhibit 30:

SOTP for APO

Apollo Global Management (APO)

	Sum-of-the-Parts Components (APO)	Current Price SOTP	Downside Case C-Corp Conversion	Change	Upside Case C-Corp Conversion	Change
Fee Related Earnings	2018e Pre-Tax Core FRE / Sh	$1.66	$1.66	0%	$1.66	0%
	Tax Rate	24%	24%	0%	24%	0%
	2018e After-Tax Core FRE / Sh	$1.26	$1.26	0%	$1.26	0%
	FRE Multiple	15.0x	15.0x	0.0x	22.5x	7.5x
	Core FRE Value	**$18.94**	**$18.94**	**0%**	**$28.40**	**50%**
+						
Balance Sheet	**Balance Sheet Net Cash and Investments / Sh (as of 3Q17)**	**$2.72**	**$2.72**	**0%**	**$2.72**	**0%**
+						
Accrued Carry	**Net Accrued Carry / Sh (as of 3Q17)**	**$2.16**	**$1.64**	**-24%**	**$1.64**	**-24%**
+						
Market Implied Carry Value	Avg Net Carried interest / Sh (2018e-2020e)	$2.45	$1.86	-24%	$1.86	-24%
	Multiple	5.1x	4.2x	-0.9x	7.1x	2.0x
	Market Implied Carry Value	**$12.61**	**$7.91**	**-37%**	**$13.30**	**6%**
=						
Valuation	**Total Value**	**$36.42**	**$31.20**	**-14%**	**$46.07**	**26%**
	2018e EPS	**$3.68**	**$3.15**	**-14%**	**$3.15**	**-14%**
	P/E	**9.9x**	**9.9x**	**0.0x**	**14.6x**	**4.7x**

Source: Company Data, Morgan Stanley Research estimates

Exhibit 31:

APO Estimated Potential Share Price in C-corp Conversion

Fee Related Earnings Multiple	Multiple on Future Performance Fees						
	2.2x	3.2x	4.2x	5.2x	6.2x	7.1x	8.2x
12.5x	24	26	28	30	32	33	35
15.0x	27	29	31	33	35	37	39
17.5x	31	32	34	36	38	40	42
20.0x	34	36	37	39	41	43	45
22.5x	37	39	41	42	44	46	48
25.0x	40	42	44	46	47	49	51
27.5x	43	45	47	49	51	52	54
30.0x	46	48	50	52	54	55	57

Source: Thomson Reuters, Company Data, Morgan Stanley Research estimates

Exhibit 32:

APO Estimated % Change From Current Share Price

Fee Related Earnings Multiple	Multiple on Future Performance Fees						
	2.2x	3.2x	4.2x	5.2x	6.2x	7.1x	8.2x
12.5x	-33%	-28%	-23%	-18%	-13%	-8%	-3%
15.0x	-25%	-20%	-14%	-9%	-4%	0%	6%
17.5x	-16%	-11%	-6%	-1%	4%	9%	15%
20.0x	-7%	-2%	3%	8%	13%	18%	23%
22.5x	1%	6%	12%	17%	22%	26%	32%
25.0x	10%	15%	20%	25%	30%	35%	41%
27.5x	19%	24%	29%	34%	39%	44%	49%
30.0x	27%	32%	38%	43%	48%	52%	58%

Source: Thomson Reuters, Company Data, Morgan Stanley Research estimates

HOUSE_OVERSIGHT_025572

Ares Management SOTP and Sensitivity Analysis

Exhibit 33:

SOTP for ARES

Ares Management (ARES)

	Sum-of-the-Parts Components (ARES)	Pro Forma Price	Current Price SOTP	Downside Case C-Corp Conversion	Change	Upside Case C-Corp Conversion	Change
Fee Related Earnings	2018e Pre-Tax Core FRE / Sh	$1.12	$1.12	$1.12	0%	$1.12	0%
	Tax Rate	24%	24%	24%	0%	24%	0%
	2018e After-Tax Core FRE / Sh	$0.85	$0.85	$0.85	0%	$0.85	0%
	FRE Multiple	15.0x	18.4x	15.0x	-3.4x	22.5x	4.1x
	Core FRE Value	**$12.82**	**$15.72**	**$12.82**	**-18%**	**$19.23**	**22%**
+							
Balance Sheet	**Balance Sheet Net Cash and Investments / Sh (as of 3Q17)**	**$0.69**	**$0.69**	**$0.69**	**0%**	**$0.69**	**0%**
+							
Accrued Carry	**Net Accrued Carry / Sh (as of 3Q17)**	**$1.03**	**$1.03**	**$0.78**	**-24%**	**$0.78**	**-24%**
+							
Market Implied Carry Value	Avg Net Carried interest / Sh (2018e-2020e)	$0.63	$0.63	$0.48	-24%	$0.48	-24%
	Multiple	11.6x	11.6x	7.7x	-3.9x	13.6x	2.0x
	Market Implied Carry Value	**$7.26**	**$7.26**	**$3.65**	**-50%**	**$6.47**	**-11%**
=							
Valuation	**Total Value**	**$21.80**	**$24.70**	**$17.95**	**-27%**	**$27.17**	**10%**
	2018e EPS	**$1.73**	**$1.73**	**$1.42**	**-18%**	**$1.42**	**-18%**
	P/E	**12.6x**	**14.3x**	**12.6x**	**-1.7x**	**19.1x**	**4.8x**

Source: Company Data, Morgan Stanley Research estimates

Exhibit 34:

ARES Estimated Potential Share Price in C-corp Conversion

Fee Related Earnings Multiple \ Multiple on Future Performance Fees	7.7x	9.6x	10.6x	11.6x	12.6x	13.6x	14.6x
12.5x	16	17	17	18	18	19	19
15.0x	18	19	19	20	20	21	21
18.7x	21	22	22	23	23	24	24
20.0x	22	23	24	24	25	25	26
22.5x	24	25	26	26	27	27	28
25.0x	26	27	28	28	29	29	30
27.5x	29	30	30	30	31	31	32
30.0x	31	32	32	33	33	34	34

Source: Thomson Reuters, Company Data, Morgan Stanley Research estimates

Exhibit 35:

ARES Estimated % Change in Current Share Price

Fee Related Earnings Multiple \ Multiple on Future Performance Fees	7.7x	9.6x	10.6x	11.6x	12.6x	13.6x	14.6x
12.5x	-36%	-32%	-30%	-28%	-27%	-25%	-23%
15.0x	-27%	-24%	-22%	-20%	-18%	-16%	-14%
18.7x	-15%	-11%	-9%	-7%	-5%	-3%	-1%
20.0x	-10%	-6%	-4%	-3%	-1%	1%	3%
22.5x	-1%	2%	4%	6%	8%	10%	12%
25.0x	7%	11%	13%	15%	17%	19%	21%
27.5x	16%	20%	22%	23%	25%	27%	29%
30.0x	25%	28%	30%	32%	34%	36%	38%

Source: Thomson Reuters, Company Data, Morgan Stanley Research estimates

HOUSE_OVERSIGHT_025573

Blackstone SOTP and Sensitivity Analysis

Exhibit 36:

SOTP for BX

Blackstone (BX)

	Sum-of-the-Parts Components (BX)	Current Price SOTP	Downside Case C-Corp Conversion	Change	Upside Case C-Corp Conversion	Change
Fee Related Earnings	2018e Pre-Tax Core FRE / Sh	$1.00	$1.00	0%	$1.00	0%
	Tax Rate	24%	24%	0%	24%	0%
	2018e After-Tax Core FRE / Sh	$0.76	$0.76	0%	$0.76	0%
	FRE Multiple	15.0x	15.0x	0.0x	22.5x	7.5x
	Core FRE Value	**$11.36**	**$11.36**	**0%**	**$17.03**	**50%**
+						
Balance Sheet	**Balance Sheet Net Cash and Investments / Sh (as of 3Q17)**	**$2.83**	**$2.83**	**0%**	**$2.83**	**0%**
+						
Accrued Carry	**Net Accrued Carry / Sh (as of 3Q17)**	**$3.01**	**$2.29**	**-24%**	**$2.29**	**-24%**
+						
Market Implied Carry Value	Avg Net Carried interest / Sh (2018e-2020e)	$2.07	$1.57	-24%	$1.57	-24%
	Multiple	9.5x	8.3x	-1.2x	11.5x	2.0x
	Market Implied Carry Value	**$19.59**	**$13.04**	**-33%**	**$18.04**	**-8%**
=						
Valuation	**Total Value**	**$36.78**	**$29.51**	**-20%**	**$40.18**	**9%**
	2018e EPS	**$3.26**	**$2.62**	**-20%**	**$2.62**	**-20%**
	P/E	**11.3x**	**11.3x**	**0.0x**	**15.4x**	**4.1x**

Source: Company Data, Morgan Stanley Research estimates

Exhibit 37:

BX Estimated Potential Share Price in C-corp Conversion

Fee Related Earnings Multiple	Multiple on Future Performance Fees						
	6.3x	7.3x	8.3x	9.3x	10.3x	11.5x	12.3x
12.5x	24	26	28	29	31	33	34
15.0x	26	28	30	31	33	35	36
17.5x	28	30	31	33	35	36	38
20.0x	30	32	33	35	36	38	40
22.5x	32	34	35	37	38	40	42
25.0x	34	36	37	39	40	42	43
27.5x	36	37	39	41	42	44	45
30.0x	38	39	41	42	44	46	47

Source: Thomson Reuters, Company Data, Morgan Stanley Research estimates

Exhibit 38:

BX Estimated % Change in Current Share Price

Fee Related Earnings Multiple	Multiple on Future Performance Fees						
	6.3x	7.3x	8.3x	9.3x	10.3x	11.5x	12.3x
12.5x	-33%	-29%	-25%	-21%	-16%	-11%	-8%
15.0x	-28%	-24%	-20%	-15%	-11%	-6%	-3%
17.5x	-23%	-19%	-15%	-10%	-6%	-1%	3%
20.0x	-18%	-14%	-9%	-5%	-1%	4%	8%
22.5x	-13%	-9%	-4%	0%	4%	9%	13%
25.0x	-8%	-3%	1%	5%	9%	15%	18%
27.5x	-3%	2%	6%	10%	15%	20%	23%
30.0x	3%	7%	11%	15%	20%	25%	28%

Source: Thomson Reuters, Company Data, Morgan Stanley Research estimates

HOUSE_OVERSIGHT_025574

The Carlyle Group Management SOTP and Sensitivity Analysis

Exhibit 39:

SOTP for CG

The Carlyle Group (CG)

	Sum-of-the-Parts Components (CG)	Current Price SOTP	Downside Case C-Corp Conversion	Change	Upside Case C-Corp Conversion	Change
Fee Related Earnings	2018e Pre-Tax Core FRE / Sh	$0.29	$0.29	0%	$0.29	0%
	Tax Rate	24%	24%	0%	24%	0%
	2018e After-Tax Core FRE / Sh	$0.22	$0.22	0%	$0.22	0%
	FRE Multiple	15.0x	15.0x	0.0x	22.5x	7.5x
	Core FRE Value	**$3.34**	**$3.34**	**0%**	**$5.01**	**50%**
+						
Balance Sheet	**Balance Sheet Net Cash and Investments / Sh (as of 3Q17)**	**$0.85**	**$0.85**	**0%**	**$0.85**	**0%**
+						
Accrued Carry	**Net Accrued Carry / Sh (as of 3Q17)**	**$4.40**	**$4.40**	**0%**	**$4.40**	**0%**
+						
Market Implied Carry Value	Avg Net Carried interest / Sh (2018e-2020e)	$2.85	$2.17	-24%	$2.17	-24%
	Multiple	6.0x	6.9x	1.0x	8.0x	2.0x
	Market Implied Carry Value	**$17.01**	**$15.03**	**-12%**	**$17.26**	**1%**
=						
Valuation	**Total Value**	**$25.60**	**$23.62**	**-8%**	**$27.52**	**8%**
	2018e EPS	**$3.03**	**$2.80**	**-8%**	**$2.80**	**-8%**
	P/E	**8.5x**	**8.5x**	**0.0x**	**9.8x**	**1.4x**

Source: Company Data, Morgan Stanley Research estimates

Exhibit 40:

CG Estimated Potential Share Price in C-corp Conversion

Fee Related Earnings Multiple	Multiple on Future Performance Fees						
	5.0x	6.0x	7.0x	8.0x	9.0x	10.0x	11.0x
12.5x	19	21	23	25	28	30	32
15.0x	19	22	24	26	28	30	32
17.5x	20	22	24	26	29	31	33
20.0x	21	23	25	27	29	31	34
22.5x	21	23	25	28	30	32	34
25.0x	22	24	26	28	30	32	35
27.5x	22	24	27	29	31	33	35
30.0x	23	25	27	29	31	34	36

Source: Thomson Reuters, Company Data, Morgan Stanley Research estimates

Exhibit 41:

CG Estimated % Change in Current Share Price

Fee Related Earnings Multiple	Multiple on Future Performance Fees						
	5.0x	6.0x	7.0x	8.0x	9.0x	10.0x	11.0x
12.5x	-26%	-18%	-9%	-1%	8%	16%	24%
15.0x	-24%	-16%	-7%	1%	10%	18%	27%
17.5x	-22%	-13%	-5%	3%	12%	20%	29%
20.0x	-20%	-11%	-3%	6%	14%	23%	31%
22.5x	-18%	-9%	-1%	8%	16%	25%	33%
25.0x	-15%	-7%	2%	10%	18%	27%	35%
27.5x	-13%	-5%	4%	12%	21%	29%	38%
30.0x	-11%	-3%	6%	14%	23%	31%	40%

Source: Thomson Reuters, Company Data, Morgan Stanley Research estimates

HOUSE_OVERSIGHT_025575

KKR & Co. SOTP and Sensitivity Analysis

Exhibit 42:

SOTP for KKR

KKR & Co. (KKR)

	Sum-of-the-Parts Components (KKR)	Current Price SOTP	Downside Case C-Corp Conversion	Change	Upside Case C-Corp Conversion	Change
Fee Related Earnings	2018e Pre-Tax Core FRE / Sh	$0.56	$0.56	0%	$0.56	0%
	Tax Rate	24%	24%	0%	24%	0%
	2018e After-Tax Core FRE / Sh	$0.43	$0.43	0%	$0.43	0%
	FRE Multiple	15.0x	15.0x	0.0x	22.5x	7.5x
	Core FRE Value	**$6.38**	**$6.38**	**0%**	**$9.57**	**50%**
+						
Balance Sheet	**Balance Sheet Net Cash and Investments / Sh (as of 3Q17)**	**$9.71**	**$9.71**	**0%**	**$9.71**	**0%**
+						
Accrued Carry	**Net Accrued Carry / Sh (as of 3Q17)**	**$1.74**	**$1.32**	**-24%**	**$1.32**	**-24%**
+						
Market Implied Carry Value	Avg Net Carried interest / Sh (2018e-2020e)	$0.93	$0.71	-24%	$0.71	-24%
	Multiple	7.0x	2.5x	-4.5x	9.0x	2.0x
	Market Implied Carry Value	**$6.57**	**$1.80**	**-73%**	**$6.42**	**-2%**
=						
Valuation	**Total Value**	**$24.40**	**$19.21**	**-21%**	**$27.01**	**11%**
	2018e EPS	**$2.74**	**$2.16**	**-21%**	**$2.16**	**-21%**
	P/E	**8.9x**	**8.9x**	**0.0x**	**12.5x**	**3.6x**
	3Q17 Book Value / Sh	**$13.80**	**$13.80**		**$13.80**	
	Price-to-Book	**1.77x**	**1.39x**	**-0.4x**	**1.96x**	**0.2x**
	2018e ROE	**19.1%**	**19.1%**	**0.0%**	15.3%	**3.8%**

Source: Company Data, Morgan Stanley Research estimates

Exhibit 43:

KKR Estimated Potential Share Price in C-corp Conversion

Fee Related Earnings Multiple	Multiple on Future Performance Fees						
	2.5x	3.5x	4.5x	5.5x	6.5x	7.5x	9.0x
12.5x	18	19	20	20	21	22	23
15.0x	19	20	21	21	22	23	24
17.5x	20	21	22	22	23	24	25
20.0x	21	22	23	23	24	25	26
22.5x	22	23	24	25	25	26	27
25.0x	23	24	25	26	26	27	28
27.5x	25	25	26	27	27	28	29
30.0x	26	26	27	28	28	29	30

Source: Thomson Reuters, Company Data, Morgan Stanley Research estimates

Exhibit 44:

KKR Estimated % Change in Current Share Price

Fee Related Earnings Multiple	Multiple on Future Performance Fees						
	2.5x	3.5x	4.5x	5.5x	6.5x	7.5x	9.0x
12.5x	-26%	-23%	-20%	-17%	-14%	-11%	-7%
15.0x	-21%	-18%	-16%	-13%	-10%	-7%	-2%
17.5x	-17%	-14%	-11%	-8%	-5%	-2%	2%
20.0x	-13%	-10%	-7%	-4%	-1%	2%	6%
22.5x	-8%	-5%	-2%	0%	3%	6%	11%
25.0x	-4%	-1%	2%	5%	8%	11%	15%
27.5x	0%	3%	6%	9%	12%	15%	19%
30.0x	5%	8%	11%	13%	16%	19%	24%

Source: Thomson Reuters, Company Data, Morgan Stanley Research estimates

HOUSE_OVERSIGHT_025576

Oaktree Capital Group SOTP and Sensitivity Analysis

Exhibit 45:

SOTP for OAK

Oaktree Capital Group (OAK)

	Sum-of-the-Parts Components (OAK)	Current Price SOTP	Downside Case C-Corp Conversion	Change	Upside Case C-Corp Conversion	Change
Fee Related Earnings	2018e Pre-Tax Core FRE / Sh	$1.06	$1.06	0%	$1.06	0%
	Tax Rate	24%	24%	0%	24%	0%
	2018e After-Tax Core FRE / Sh	$0.81	$0.81	0%	$0.81	0%
	FRE Multiple	15.0x	15.0x	0.0x	22.5x	7.5x
	Core FRE Value	**$12.11**	**$12.11**	**0%**	**$18.17**	**50%**
+						
Balance Sheet	**Balance Sheet Net Cash and Investments / Sh (as of 3Q17)**	**$15.19**	**$15.19**	**0%**	**$15.19**	**0%**
+						
Accrued Carry	**Net Accrued Carry / Sh (as of 3Q17)**	**$5.76**	**$4.38**	**-24%**	**$4.38**	**-24%**
+						
Market Implied Carry Value	Avg Net Carried interest / Sh (2018e-2020e)	$2.20	$1.68	-24%	$1.68	-24%
	Multiple	5.5x	4.0x	-1.5x	7.5x	2.0x
	Market Implied Carry Value	**$12.14**	**$6.71**	**-45%**	**$12.58**	**4%**
=						
Valuation	**Total Value**	**$45.20**	**$38.39**	**-15%**	**$50.31**	**11%**
	2018e EPS	**$3.55**	**$3.01**	**-15%**	**$3.01**	**-15%**
	P/E	**12.7x**	**12.7x**	**0.0x**	**16.7x**	**4.0x**

Source: Company Data, Morgan Stanley Research estimates

Exhibit 46:

OAK Estimated Potential Share Price in C-corp Conversion

Fee Related Earnings Multiple	Multiple on Future Performance Fees						
	2.0x	3.0x	4.0x	5.0x	6.0x	7.5x	8.0x
12.5x	33	35	36	38	40	42	43
15.0x	35	37	38	40	42	44	45
17.5x	37	39	40	42	44	46	47
20.0x	39	41	42	44	46	48	49
22.5x	41	43	44	46	48	50	51
25.0x	43	45	46	48	50	52	53
27.5x	45	47	48	50	52	54	55
30.0x	47	49	50	52	54	56	57

Source: Thomson Reuters, Company Data, Morgan Stanley Research estimates

Exhibit 47:

OAK Estimated % Change in Current Share Price

Fee Related Earnings Multiple	Multiple on Future Performance Fees						
	2.0x	3.0x	4.0x	5.0x	6.0x	7.5x	8.0x
12.5x	-27%	-23%	-20%	-16%	-12%	-7%	-5%
15.0x	-23%	-19%	-15%	-11%	-8%	-2%	0%
17.5x	-18%	-14%	-11%	-7%	-3%	2%	4%
20.0x	-14%	-10%	-6%	-2%	1%	7%	9%
22.5x	-9%	-5%	-2%	2%	6%	11%	13%
25.0x	-5%	-1%	3%	6%	10%	16%	18%
27.5x	0%	4%	7%	11%	15%	20%	22%
30.0x	4%	8%	12%	15%	19%	25%	27%

Source: Thomson Reuters, Company Data, Morgan Stanley Research estimates

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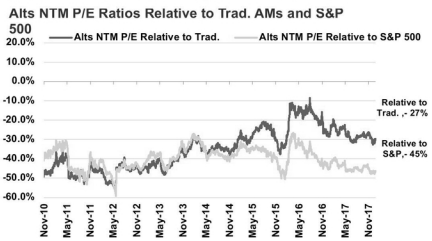
Appendix B: Valuation of Alternative Managers - What©in the Price?

Exhibit 48:

Covered Alternative Asset managers NTM Relative P/E



Source: Company Data, Thomson Reuters, Morgan Stanley Research estimates

Exhibit 49:

Covered Alternative Asset managers NTM Absolute P/E

Source: Company Data, Thomson Reuters, Morgan Stanley Research estimates

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Appendix C: Notable Alt Reports: In Case You Missed Them¼

Asset Managers & Brokers: 4Q17 Preview: Buy CG and ETFC into the Print (12 Jan 2018)

Raising Est on Tax Cuts & Strong Mkts, Upgrading APO and ETFC to Overweight (3 Jan 2018)

Asset Managers & Brokers: 2018 Outlook: Key Debates in a Year of Change (3 Jan 2018)

The Carlyle Group L.P.: Fundraising Ahead of Expectations; Buy the Dip (4 Dec 2017)

Alternative Asset Managers and Credit Strategy: Interest Deductibility at Risk: Game Changer for High Yield and Private Equity? (9 Nov 2017)

Alternative Asset Managers: C-Corp Conversion: To convert or not to convert, that is the question (6 Nov 2017)

Asset Managers & Brokers: Uncovering Long-Term Value with ESG (20 Sep 2017)

Global Asset Management: Building the Money Manager of Tomorrow (13 Sep 2017)

The Blackstone Group L.P.: Management Meeting Takeaways: Significant Runway for Growth (10 Aug 2017)

The Blackstone Group L.P.: Why Blackstone's "Innovation Machine" Suggests Upside to $60 Bull Case (24 Jul 2017)

The Carlyle Group L.P.: Inflection Point for Carlyle Supports $40 Bull Case (12 Jul 2017)

Hamilton Lane Incorporated: Unique Play on Private Markets; Initiating at Overweight (27 Mar 2017)

Asset Managers & Wholesale Banks: The World Turned Upside Down (16 Mar 2017)

The Blackstone Group L.P.: $100 Billion Reasons to Thrive in Uncertainty: Mgmt Meeting Takeaways (10 Nov 2016)

Alternative Asset Managers: Who©Got Swimsuits? (19 May 2016)

Asset Managers: Convergence of Alts/Traditionals Multiple: Put This Chart on Your Wall (21 Jul 2015)

US Asset Managers: Benchmark Inclusion of Alts: What If...? (22 Jan 2015)

US Asset Managers: Introducing "Core" Fee-Related Earnings (FRE) Metric (15 Jan 2015)

US Asset Managers: Cash In On the Harvesting Super-Cycle: Initiating on Alts: OW BX, KKR, OAK (19 Dec 2014)

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Brokers & Asset Managers Comps Sheet

Exhibit 50:

Brokers & Asset Managers Comps Sheet

Brokers & Asset Managers

	26/Jan/18 Company	Ticker	Rating	Price 26/Jan/18	Price Target	Upside (%)	Shares (M)	Market Cap ($B)	AUM ($B)	LTM Net Flows/ BoP AuM (%)	YTD Stock Perf. (%)	Earnings Per Share (EPS) 2017E	2018E	2019E	EPS CAGR (%) 17-19	Price/Earnings (P/E) 2017E	2018E	2019E	EV/ EBITDA 2017E	2018E	2019E	As % of AuM Mkt Cap	Dividend Yield (%) 2018E
	Covered Brokers & Asset Managers																						
Traditionals	Franklin Resources (5)	BEN	UW	$45.86	$42	(8.4)	555	25.4	753	(5.3)	5.8	2.99	3.02	2.97	(0.3)	15.4x	15.2x	15.4x	13.9x	14.1x	6.9x	7.3x	7.9x	3.4	2.1
	BlackRock Inc	BLK	OW	$586.80	$660	12.5	162	94.8	5,977	7.1	14.2	n/a	28.79	31.34	n/a	n/a	20.4x	18.7x	22.9x	21.1x	n/a	14.5x	13.4x	1.6	2.0
	Hamilton Lane	HLNE	EW	$38.85	$38	(2.2)	53	2.1	29	11.6	9.8	1.16	1.57	1.90	27.8	33.4x	24.8x	20.4x	24.2x	20.0x	21.9x	19.2x	15.5x	7.1	2.0
	Invesco Ltd	IVZ	EW	$38.40	$39	1.6	407	15.6	917	1.2	5.1	2.68	2.94	3.15	8.4	14.3x	13.0x	12.2x	13.2x	12.4x	9.8x	9.1x	8.6x	1.7	3.3
	Janus Henderson Group	JHG	OW	$41.43	$50	21.4	198	8.2	361	(2.9)	8.3	1.69	2.69	3.10	35.5	24.5x	15.4x	13.4x	18.7x	16.2x	12.5x	10.0x	9.0x	2.3	3.4
	Legg Mason (5)	LM	UW	$45.75	$43	(6.0)	92	4.2	754	(3.0)	9.0	3.11	3.62	3.66	8.5	14.7x	12.6x	12.5x	11.9x	11.7x	8.7x	9.5x	9.8x	0.6	2.4
	OM Asset Mgmt. (4)	OMAM	EW	$18.31	$19	3.8	110	2.0	36 (3.3)	9.3	1.58	1.91	2.03	13.2	11.6x	9.6x	9.0x	9.9x	9.4x	8.4x	7.8x	7.2x	0.9	2.2
	T. Rowe Price	TROW	EW	$119.99	$115	(4.2)	244	29.3	948	0.7	14.4	6.03	7.33	7.16	8.9	19.9x	16.4x	16.8x	15.7x	16.1x	10.8x	10.7x	10.9x	3.1	1.9
	Virtus Investment Partners	VRTS	EW	$131.00	$127	(3.1)	7	0.9	91	0.4	13.9	7.42	11.02	11.81	26.2	17.7x	11.9x	11.1x	11.5x	10.8x	9.2x	7.1x	6.6x	1.0	1.5
	Waddell & Reed Financial	WDR	UW	$22.98	$20	(13.0)	83	1.9	81	(15.3)	2.9	1.68	1.98	1.86	5.2	13.7x	11.6x	12.4x	10.1x	10.8x	6.7x	7.0x	7.9x	2.4	4.4
	WisdomTree Investments	WETF	EW	$12.33	$14	13.5	137	1.7	46	2.2	(1.8)	0.23	0.50	0.72	76.2	53.1x	24.6x	17.1x	27.7x	19.4x	24.8x	16.2x	9.7x	3.6	1.0
	Mean (Excl. HLNE, JHG, WETF), (Market Cap, EV and AuM equals Total)					**(2.1)**		**176.0**	**9,804**	**(1.8)**	**9.3**				**10.0**	**15.3x**	**13.8x**	**13.5x**	**13.7x**	**13.3x**	**8.6x**	**9.1x**	**9.0x**	**1.8**	**2.5**
	Median (Excl. HLNE, JHG, WETF)					**(3.6)**				**0.0**	**9.1**				**8.5**	**14.7x**	**12.8x**	**12.4x**	**12.6x**	**12.1x**	**8.7x**	**8.3x**	**8.2x**	**1.6**	**2.1**
Alternatives	Apollo Global Mgmt	APO	OW	$36.42	$42	15.3	403	14.7	242	9.9	8.8	2.97	3.68	3.72	11.9	12.3x	9.9x	9.8x	11.4x	11.3x	15.4x	10.3x	9.9x	6.1	7.4
	Ares Mgmt.	ARES	EW	$24.70	$20	(19.0)	216	5.3	106	15.9	23.5	1.90	1.73	1.87	(0.8)	13.0x	14.3x	13.2x	11.6x	10.7x	16.6x	15.2x	15.2x	5.0	4.9
	Blackstone Group	BX	OW	$36.78	$40	8.8	1,199	44.1	387	3.4	14.9	2.66	3.26	3.07	7.5	13.8x	11.3x	12.0x	12.3x	13.0x	10.9x	10.7x	9.9x	11.4	7.0
	Carlyle Group	CG	OW	$25.60	$33	28.9	343	8.8	174	(8.4)	11.8	3.09	3.03	2.52	(9.6)	8.3x	8.5x	10.1x	10.9x	13.1x	12.4x	7.5x	6.6x	5.0	8.5
	KKR & Co	KKR	EW	$24.40	$24	(1.6)	848	20.7	153	25.3	15.9	2.38	2.74	2.96	11.6	10.3x	8.9x	8.3x	8.8x	8.1x	10.6x	9.4x	9.4x	13.5	3.0
	Oaktree Capital Group (2)	OAK	OW	$45.20	$60	32.7	156	7.1	100	(3.7)	7.4	3.80	3.55	4.72	11.5	11.9x	12.7x	9.6x	16.9x	12.7x	10.6x	11.5x	8.7x	7.1	5.6
	Mean (Covered Alts), (Market Cap, EV and AuM equals Total)					**10.8**		**106.6**	**1,162**	**8.4**	**13.7**				**5.3**	**11.6x**	**10.9x**	**10.5x**	**12.0x**	**11.5x**	**12.7x**	**10.8x**	**9.9x**	**8.0**	**6.1**
	Median (Covered Alts)					**12.0**				**6.6**	**13.3**				**9.5**	**12.1x**	**10.6x**	**10.0x**	**11.5x**	**12.0x**	**11.6x**	**10.5x**	**9.7x**	**6.6**	**6.3**
Brokers	TD Ameritrade Holding Corp	AMTD	EW	$54.97	$61	11.0	567	31.2	1,119	10.4	7.5	2.08	3.02	3.65	32.4	26.4x	18.2x	15.1x	20.2x	16.7x	18.8x	13.0x	10.5x	2.8	1.6
	E*TRADE Financial Corp	ETFC	OW	$53.49	$66	23.4	271	14.5	365	3.9	7.9	2.27	3.26	3.87	30.7	23.6x	16.4x	13.8x	20.3x	17.0x	11.6x	10.6x	9.5x	4.0	0.0
	LPL Financial Holdings Inc	LPLA	EW	$60.76	$62	2.0	90	5.5	560	3.3	6.3	2.27	3.99	4.27	37.0	26.7x	15.2x	14.2x	13.5x	14.5x	11.8x	8.6x	8.3x	1.0	1.6
	Charles Schwab Corp	SCHW	OW	$54.27	$63	16.1	1,340	72.7	3,181	7.0	5.6	n/a	2.47	2.85	n/a	n/a	21.9x	19.1x	25.5x	22.1x	n/a	13.0x	11.4x	2.3	0.8
	Mean (Market Cap, EV and AuM equals Total)					**13.1**		**123.8**	**5,225**	**6.1**	**6.8**				**33.4**	**25.6x**	**17.9x**	**15.5x**	**20.4x**	**17.0x**	**14.0x**	**11.3x**	**9.9x**	**2.5**	**1.0**
	Median					**13.5**				**5.5**	**6.9**				**32.4**	**26.4x**	**17.3x**	**14.7x**	**20.2x**	**16.9x**	**11.6x**	**11.8x**	**10.0x**	**2.5**	**1.2**
	Covered Brokers & Asset Managers																						
	Mean (Excl. WETF and HLNE), (Market Cap, EV and AuM equals Total)					**5.6**		**398.8**	**16,144**	**3.4**	**10.2**				**12.6**	**15.8x**	**13.8x**	**13.0x**	**14.6x**	**13.6x**	**11.2x**	**10.2x**	**9.5x**	**4.0**	**1.3**
	Median (Excl. WETF and HLNE)					**2.9**				**2.2**	**8.9**				**10.2**	**14.1x**	**12.9x**	**12.4x**	**12.8x**	**12.9x**	**10.7x**	**9.9x**	**9.4x**	**2.9**	**2.3**
	Non-Covered Brokers & Asset Managers																						
Non Covered	AllianceBernstein	AB	NC	$27.85	NC	NC	94	2.6	535	1.8	11.2	2.11	2.38	2.64	12.0	13.2x	11.7x	10.5x	n/a	n/a	3.7x	3.3x	3.1x	0.5	8.5
	Affiliated Managers Group	AMG	NC	$215.76	NC	NC	56	12.0	804	(0.1)	5.1	14.49	17.39	18.81	13.9	14.9x	12.4x	11.5x	n/a	n/a	14.4x	13.0x	11.9x	1.5	0.5
	Eaton Vance (5)	EV	NC	$60.87	NC	NC	118	7.2	422	11.2	7.9	2.61	3.36	3.79	20.6	23.3x	18.1x	16.1x	n/a	n/a	14.4x	12.3x	n/a	1.7	2.2
	Fortress Investment Group	FIG	NC	N/A	NC	NC	240	n/a	0	(0.9)	n/a	0.06	0.07	0.08	20.7	n/a	n/a	n/a	n/a	n/a	4.5x	3.7x	3.0x	n/a	n/a
	Och-Ziff Capital Mgmt.	OZM	NC	$2.38	NC	NC	185	0.4	33	(23.9)	(4.8)	0.50	0.36	0.40	(11.1)	4.7x	6.6x	6.0x	n/a	n/a	3.7x	3.7x	6.1x	1.3	7.6
	Stifel Financial Corp	SF	NC	$66.36	NC	NC	68	4.5	265	n/a	11.4	3.21	4.61	5.40	29.6	20.7x	14.4x	12.3x	n/a	n/a	13.7x	12.6x	10.3x	1.7	0.3
	Raymond James Financial, Inc.	RJF	NC	$98.26	NC	NC	145	14.3	664	n/a	10.0	5.47	6.90	7.74	18.9	18.0x	14.2x	12.7x	n/a	n/a	28.2x	25.1x	n/a	2.2	1.1
	Interactive Brokers Group, Inc.	IBKR	NC	$64.20	NC	NC	71	4.6	97	n/a	8.4	1.22	2.04	2.34	38.4	52.6x	31.4x	27.5x	n/a	n/a	6.4x	4.7x	4.0x	4.7	0.6
	S&P 500 (3)			**2,872.9**	**2,750**	**(4.3)**				**7.5**	**131.60**	**145.00**	**150.00**	**6.8**	**21.8x**	**19.8x**	**19.2x**	**19.0x**	**18.3x**						**2.2**

Source: Company data, Thomson Reuters, Morgan Stanley Research estimates, except for NC (not covered), which are Thomson Reuters estimates

(1) Alternative asset manager net flows include fee-paying fundraising and inflows net of redemptions and distributions.

(2) OAK estimates reflect Adjusted Net Income (ANI), given that is the primary metric reported by the company.

(3) S&P500 EPS based off of MS Equity Strategy Team's estimates

(4) ENI/Unit represents EPS and P/ENI represents P/E

(5) BEN, LM and EV have fiscal years not ending in December, so for these companies CY estimates were used in order to have temporal consistency. BEN and LM reflect MS estimates; EV reflects consensus Thom son estimates.

Source: Company Data, Thompson Reuters, Morgan Stanley Research estimates, except for non-covered companies (NC), which are consensus estimates

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Valuation and Risks

Alternative Asset Managers: We value the stocks using a sum of the parts valuation and discounted cash flow as well as price/earnings and price/cash earnings multiples. Our DCF (COE of 12±15%, free cash flow = distributable earnings and terminal growth rate = 4%) captures the long-term value of the business model, while the sum of the parts captures some of the shorter-term volatility. For our SOTP, we use 2019 ªCoreº FRE and apply a 18x-21x multiple; apply 12x multiple on BDC income share; use NPV to estimate future carry and apply discount rate to represent volatile nature of carry; 10% haircut on accrued carry; 10% haircut on B/S assets.

APO.N

Apollo Global Management: We value APO using a sum-of-the-parts, supported by a DCF, and back into an implied target multiple on next 3 years DE, and ENI. Our price target implies a 11.5x multiple on 2019 EPS, reflecting a 25% premium to historical valuation of 9.2x that's warranted due accelerating growth in and mix shift toward sticky fee related earnings for which investors ascribe a higher multiple, and APO is entering their harvesting stage that will see portfolio monetizations accelerate driving stronger cash earnings generation. Upside risks: Better FPAuM growth, capital deployment accelerates, better returns. Downside risks: Declining valuations reduce cash earnings (fewer exits or lower multiples); slower deployment; Funds V, VI and VII and ANRP remain in escrow, pressuring near term cash earnings.

ARES.N

Ares: We value ARES using a sum-of-the-parts, supported by a DCF, and back into an implied target multiple on next 3 years DE, and ENI. Our PT represents a 10.8x PE multiple, slightly above the 3 year average of 9.3x on improving cash earnings trajectory. Upside risk includes better asset gathering, stronger investment performance and faster monetization of portfolio investments. Downside risk that strong AUM baked into our model over the next several years will not materialize. ARCC concentration risk (a BDC which contributes 40% of mgmt fees / 29% of revenue), and harvesting delays if there's an extended financial & capital markets pullback.

B**X.N**

Blackstone: We value BX using a sum-of-the-parts, supported by a DCF, and back into an implied target multiple on next 3 years DE and ENI. Our PT represents a 12.6x PE multiple, above the 3 year average of 9.4x on expectations for accelerated growth in fee-related earnings growth, cash earnings growth and fundraising. Upside risks: Stronger investment performance, faster monetization of portfolio companies, better asset growth through new initiatives. Downside risks: Weakness in public markets and commercial real estate markets pressure investment performance. Harvesting delaysÐ An extended pull-back in financial and capital markets that delays harvesting of investments and dampens returns which lower cash earnings.

CG.O

Carlyle: We value CG using a blended sum-of-the-parts, supported by a DCF, and back into an implied target multiple on next 3 years DE and ENI. Our PT implies a 13.5x multiple on 2019 EPS, reflecting a 55% premium to historical valuation of 8.8x given resolution of legacy issues and accelerating fee related earnings and asset gathering momentum that will support the multiple. We expect less volatile financial performance across all segments in our forward look, vs. greater volatility in historicals driven legacy challenges. Upside risks include: Better investment performance, strong asset gathering and faster monetization of portfolio companies. Downside risks include an extended pull-back in financial and capital mkts that delays harvesting of investments and dampens returns which lower cash earnings, and poor investment performance.

KKR.N

KKR: We value KKR using a 1.3x multiple on 2019 estimated book value and back into an implied target multiple on next 3 years DE and ENI. Our price target is also supported by a sum-of-the-parts valuation. Our PT implies a 8.2x multiple on 2019 EPS, reflecting a 9% premium to historical valuation of 7.5x given improving fee related earnings trajectory. Upside risks include better investment performance, compounding book value growth and faster asset gathering from newer initiatives. Downside risks include an extended pull-back in financial and capital markets that delays harvesting of investments and dampens returns which lower cash earnings and impairs significant investments held on balance.

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OAK.N

Oaktree: We value OAK using a sum-of-the-parts, supported by a DCF, and back into an implied target multiple on next 3 years DE and ENI. Our PT implies a 12.6x multiple on 2019 EPS, reflecting a 7% premium to historical valuation of 11.8x given expectations for their Opps Xb fund to turn fees on during 2019 and sharply boost fee related earnings. Upside risks include better investment performance, faster monetization of portfolio investments, strong asset gathering from newer initiatives and inflection higher in fee related earnings. Risks include poor investment performance, an extended pull-back in financial and capital markets that delays harvesting of investments and dampens returns which lower cash earnings.

Morgan Stanley & Co. International plc ("Morgan Stanley") is currently acting as financial advisor to Banco Popular Español, S.A. ("Banco Popular") in relation to its agreements with Balsam Investment S.à r.l., ("Blackstone") for the acquisition by Blackstone of 51% of, and hence the assignment of control over, Banco Popular's real estate business, as announced on August 8, 2017. Closing of the transaction is subject to relevant regulatory authorisations and other customary conditions. Banco Popular has agreed to pay fees to Morgan Stanley for its financial services. Please refer to the notes at the end of the report.

Morgan Stanley & Co. International plc ("Morgan Stanley") is acting as financial advisor to Unilever plc and Unilever N.V. (together "Unilever") in relation to an offer received from KKR & Co. to acquire Unilever's global spreads business, as announced on 15 December 2017. Unilever has agreed to pay fees to Morgan Stanley for its financial services. Please refer to the notes at the end of the report.

Morgan Stanley is acting as financial advisor to Jack in the Box Inc. ("Jack") with respect to a definitive agreement to sell its wholly owned subsidiary, Qdoba Restaurant Corporation, to Funds affiliated with Apollo Global Management, LLC. Jack has agreed to pay fees to Morgan Stanley contingent upon the consummation of the transaction. The proposed transaction is subject to customary closing conditions and adjustments. Please review the notes at the end of this report.

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The following analysts hereby certify that their views about the companies and their securities discussed in this report are accurately expressed and that they have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report: Michael J. Cyprys, CFA, CPA.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

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As of December 29, 2017, Morgan Stanley beneficially owned 1% or more of a class of common equity securities of the following companies covered in Morgan Stanley Research: Apollo Global Management LLC, Ares Management, L.P., BlackRock Inc., Franklin Resources Inc., Goldman Sachs Group Inc, Invesco, KKR & CO. L.P., Oaktree Capital Group, LLC, The Blackstone Group L.P., The Carlyle Group L.P., WisdomTree Investments, Inc..

Within the last 12 months, Morgan Stanley managed or co-managed a public offering (or 144A offering) of securities of Apollo Global Management LLC, Ares Management, L.P., BlackRock Inc., Charles Schwab Corp, E*Trade Financial Corp, Goldman Sachs Group Inc, Hamilton Lane Incorporated, LPL Financial Holdings Inc., OM Asset Management Plc, The Carlyle Group L.P., Virtus Investment Partners.

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Global Stock Ratings Distribution

(as of December 31, 2017)

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	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
Stock Rating Category	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1142	36%	320	40%	28%	560	38%
Equal-weight/Hold	1424	44%	371	47%	26%	674	46%
Not-Rated/Hold	55	2%	6	1%	11%	9	1%
Underweight/Sell	583	18%	95	12%	16%	237	16%
Total	3,204		792			1480	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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Overweight (O). The stock©total return is expected to exceed the average total return of the analyst©industry (or industry team©) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock©total return is expected to be in line with the average total return of the analyst©industry (or industry team©) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

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Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

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Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia -

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relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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INDUSTRY COVERAGE: Brokers & Asset Managers

COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/29/2018)
Michael J. Cyprys, CFA, CPA		
Apollo Global Management LLC (APO.N)	O (01/03/2018)	$35.60
Ares Management, L.P. (ARES.N)	E (12/15/2014)	$24.50
BlackRock Inc. (BLK.N)	O (09/18/2015)	$574.42
Charles Schwab Corp (SCHW.N)	O (09/26/2016)	$54.05
E*Trade Financial Corp (ETFC.O)	O (01/03/2018)	$52.62
Franklin Resources Inc. (BEN.N)	U (03/16/2017)	$45.12
Hamilton Lane Incorporated (HLNE.O)	E (10/05/2017)	$38.31
Invesco (IVZ.N)	E (01/03/2018)	$37.48
KKR & CO. L.P. (KKR.N)	E (02/17/2016)	$24.25
Legg Mason Inc. (LM.N)	U (10/05/2017)	$44.27
LPL Financial Holdings Inc. (LPLA.O)	E (01/03/2018)	$60.11
Oaktree Capital Group, LLC (OAK.N)	O (12/15/2014)	$45.30
OM Asset Management Plc (OMAM.N)	E (01/26/2016)	$18.19
T. Rowe Price Group, Inc. (TROW.O)	E (10/05/2017)	$117.55
TD Ameritrade Holding Corp. (AMTD.O)	E (09/26/2016)	$55.59
The Blackstone Group L.P. (BX.N)	O (12/15/2014)	$36.56
The Carlyle Group L.P. (CG.O)	O (02/17/2016)	$25.50
Virtus Investment Partners (VRTS.O)	E (06/01/2017)	$129.80
Waddell & Reed Financial Inc (WDR.N)	U (09/18/2015)	$23.18
WisdomTree Investments, Inc. (WETF.O)	E (09/18/2015)	$12.13

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* Historical prices are not split adjusted.

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From: Robert Trivers [redacted]
Sent: 4/14/2018 5:06:12 PM
To: Alan Rogers [redacted]; Jeffrey Epstein [jeevacation@gmail.com]
CC: Gordon Getty [redacted] Oliver Goodenough [redacted]; Tim Kane [redacted]; Rob Hanson [redacted]; Paul Zak [redacted]; Bobby McCormick [redacted]; Terry Anderson [redacted]; Clive Crook [redacted]; Matt Ridley [redacted]; Gerry Ohrstrom [redacted]; Lee Silver [redacted] Monika Gruter Cheney [redacted]; Dane Stangler [redacted] Ron Bailey [redacted]; Anna Dreber [redacted]; Anula Jayasuriya [redacted]; Paul Romer [redacted]; Mike Cagney [redacted]; Evan Smith [redacted]; Roger Edelen [redacted]; Bill Prezant [redacted]; John Mallen [redacted]; Jim Halligan [redacted]; Marguerite Atkins [redacted]; Alex.Family Pines [redacted]; Ditsa Pines [redacted] David Darst [redacted]; president@usfca.edu; Clair Brown [redacted]; Ms. Yvette Robbins [redacted]; Richerson, Peter J [redacted]
Subject: Re: Free Growth (09-29-17) part 2.pdf

Importance: High

yes Alan i think you are

you are referring to duplication of a gene—there are many such genes including those produced by retrotransposons (as evidenced by lack of introns)—where a gene has two separate effects and there is an advantage to having a gene with each effect you will often prefer two genes to one, because of less interference in fitness effects

Peter was talking about a gene with a single effect—sickling—and the other allele is the normal one—the heterozygote destroys malaria within red blood cells at trivial cost and there is no cost at all if malaria is not present—by contrast homozygous sickle individuals suffer lifetime effects

Peter was trying to conjure up a heterozygote that propagated asexually but this requires a chiasma between neighbouring genes, a very rare event and hence it usually leads rapidly to mutational decay of one of the two copies, i.e. so-called pseudogenes, of which there are many in our genome

in haste

On Thu, Apr 12, 2018 at 11:02 PM, Alan Rogers <[redacted]> wrote:

I haven't read whatever Pete wrote, but if I understand Bob correctly, Pete must be talking about subfunctionalization:

https://en.wikipedia.org/wiki/Subfunctionalization

If so, it's not a radical suggestion. It's thought to be the process that gave rise to all multi-gene families. Michael Lynch discusses it in his book, The Origin of Genome Architecture.

Am I missing something?

Alan

On Thu, Apr 12, 2018 at 3:03 PM, Robert Trivers <[redacted]> wrote:

here is my latest and final comment on Peter Richerson's comments on Gordon's idea about Trump being a narcissistic psychopath—a view with which i firmly agree

i have learned a lot by thinking through all of Peter's argumentation but i have not learned much that contradicts either my biases nor reality herself

all best wishes

On Fri, Sep 29, 2017 at 5:26 PM, Gordon Getty <[redacted]m> wrote:

> Friends and Family,
>
> Here's my latest on free growth theory. Tell me if I'm making any progress in my old intelligibility deficit. I'm also working on a new version without math.

From: Shaher [redacted]
Sent: 5/2/2013 8:59:57 PM
To: jeffrey epstein usa [jeevacation@gmail.com]
Subject: Caroline Kennedy Selling 93 Acres on Martha's Vineyard

Importance: High

Caroline Kennedy Selling 93 Acres on Martha's Vineyard

Caroline Kennedy, the only surviving child of the late President John F. Kennedy, listed for sale about 90 acres of land in Martha's Vineyard, a resort island off the Massachusetts coast.

Two waterfront parcels in the town of Aquinnah are on the market -- a 39.5-acre (16-hectare) property available for $20 million, and a 53.5-acre piece for $25 million, according to the listings for 6 Red Gate Farm and 8 Red Gate Farm.

"An exclusive waterfront property with incredible views of Squibnocket Pond, with further views over towering sand dunes to the Atlantic Ocean," the listing for 6 Red Gate Farm reads. "Plenty of privacy with varied topography and easy pond access. Yours to create a marvelous estate."

The land is part of a 366-acre stretch that has been private since Jacqueline Kennedy Onassis bought it in 1978, said John O'Connell, broker and owner of Vineyard Realty Group in Edgartown, Massachusetts.

The property is "a piece of the island that very few people have seen," said O'Connell, who isn't involved in the sale.

Corporate records for Red Gate Farm LLC, which owns the land, lists Edwin A. Schlossberg as the person responsible for the parcels. He is the husband of Caroline Kennedy, who is expected to be Obama's choice as the next U.S. ambassador to Japan.

To contact the reporter on this story: Prashant Gopal in Boston at [redacted]

To contact the editor responsible for this story: Kara Wetzel at [redacted]

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Sent from my iPad

From: Shaher [redacted]
Sent: 5/3/2013 9:37:25 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Re: Caroline Kennedy Selling 93 Acres on Martha's Vineyard

Importance: High

Such an estate dear cousin many would like to own ,, if at the price I may be willing

Sent from my iPad

On May 3, 2013, at 1:46, Jeffrey Epstein <jeevacation@gmail.com> wrote:

BORING

On Thu, May 2, 2013 at 4:59 PM, Shaher <[redacted]> wrote:

Caroline Kennedy Selling 93 Acres on Martha's Vineyard

Caroline Kennedy, the only surviving child of the late President John F. Kennedy, listed for sale about 90 acres of land in Martha's Vineyard, a resort island off the Massachusetts coast.

Two waterfront parcels in the town of Aquinnah are on the market -- a 39.5-acre (16-hectare) property available for $20 million, and a 53.5-acre piece for $25 million, according to the listings for 6 Red Gate Farm and 8 Red Gate Farm.

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To contact the reporter on this story: Prashant Gopal in Boston at [redacted]

To contact the editor responsible for this story: Kara Wetzel at [redacted]

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Date: Monday, May 6 2019 11:15 AM
Subject: Re: $25K from ASU
From: J <jeevacation@gmail.com>
To: Joichi Ito [redacted]>;

send details .

On Mon, May 6, 2019 at 7:14 AM Joichi Ito <[redacted]> wrote:
Can he give a gift to me at MIT?

Sent from my iPhone
On May 6, 2019, at 06:56, J <jeevacation@gmail.com> wrote:

yes, hes not beholden to ME too :). how should farkas give the money

On Mon, May 6, 2019 at 6:52 AM Joichi Ito <[redacted]> wrote:
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Date: Thursday, April 18 2019 12:23 PM
Subject: Re: $25K from ASU
From: Joichi Ito <[redacted]>
To: Jeffrey Epstein <jeevacation@gmail.com>;

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Subject: Re: $25K from ASU
From: Joichi Ito <[redacted]>
To: Jeffrey Epstein <jeevacation@gmail.com>;

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3 April, 2011

Article 1.	NYT **In Israel, Time for Peace Offer May Run Out** Ethan Bronner
Article 2.	Le Monde diplomatique **The Arab spring - Follow the money** Samir Aita
Article 3.	Guardian **Obama doctrine? If only** Michael Boyle
Article 4.	The Economist **American foreign policy - Why it's a theory, not a doctrine**
Article 5.	The Atlantic **Struggling to Restart Egypt's Stalled Revolution** Eric Trager
Article 6.	The Washington Institute **Qatar's Quest to Become the Leading Arab State** Simon Henderson

Article 1.

NYT

In Israel, Time for Peace Offer May Run Out

Ethan Bronner

April 2, 2011 — With revolutionary fervor sweeping the Middle East, Israel is under mounting pressure to make a far-reaching offer to the Palestinians or face a United Nations vote welcoming the State of Palestine as a member whose territory includes all of the West Bank, Gaza and East Jerusalem.

The Palestinian Authority has been steadily building support for such a resolution in September, a move that could place Israel into a diplomatic vise. Israel would be occupying land belonging to a fellow United Nations member, land it has controlled and settled for more than four decades and some of which it expects to keep in any two-state solution.

"We are facing a diplomatic-political tsunami that the majority of the public is unaware of and that will peak in September," said Ehud Barak, Israel's defense minister, at a conference in Tel Aviv last month. "It is a very dangerous situation, one that requires action." He added, "Paralysis, rhetoric, inaction will deepen the isolation of Israel."

With aides to Prime Minister Benjamin Netanyahu thrashing out proposals to the Palestinians, President Shimon Peres is due at the White House on Tuesday to meet with President Obama and explore ways out of the bind. The United States is still uncertain how to move the process forward, according to diplomats here.

Israel's offer is expected to include transfer of some West Bank territory outside its settlements to Palestinian control and may

suggest a regional component — an international conference to serve as a response to the Arab League peace initiatives.

But Palestinian leaders, emboldened by support for their statehood bid, dismiss the expected offer as insufficient and continue to demand an end to settlement building before talks can begin.

"We want to generate pressure on Israel to make it feel isolated and help it understand that there can be no talks without a stop to settlements," said Nabil Shaath, who leads the foreign affairs department of Fatah, the main party of the Palestinian Authority. "Without that, our goal is membership in the United Nations General Assembly in September."

Israeli, Palestinian and Western officials interviewed on the current impasse, most of them requesting anonymity, expressed an unusual degree of pessimism about a peaceful resolution. All agreed that the turmoil across the Middle East had prompted opposing responses from Israel and much of the world.

Israel, seeing the prospect of even more hostile governments as its neighbors, is insisting on caution and time before taking any significant steps. It also wants to build in extensive long-term security guarantees in any two-state solution, but those inevitably infringe the sovereignty of a Palestinian state.

The international community tends to draw the opposite conclusion. Foreign Secretary William Hague of Britain, for example, said last week that one of the most important lessons to be learned from the Arab Spring was that "legitimate aspirations cannot be ignored and must be addressed." He added, referring to Israeli-Palestinian talks, "It cannot be in anyone's interests if the new order of the region is determined at a time of minimum hope in the peace process."

The Palestinian focus on September stems not only from the fact that the General Assembly holds its annual meeting then. It is also because Prime Minister Salam Fayyad announced in September 2009

that his government would be ready for independent statehood in two years and that Mr. Obama said last September that he expected the framework for an independent Palestinian state to be declared in a year.

Mr. Obama did not indicate what the borders of that state would be, assuming they would be determined through direct negotiations. But with Israeli-Palestinian talks broken off months ago and the Middle East in the process of profound change, many argue that outside pressure is needed.

Germany, France and Britain say negotiations should be based on the 1967 lines with equivalent land swaps, exactly what the Netanyahu government rejects because it says it predetermines the outcome.

"Does the world think it is going to force Israel to declare the 1967 lines and giving up Jerusalem as a basis for negotiation?" asked a top Israeli official who spoke on condition of anonymity. "That will never happen."

While the Obama administration has referred in the past to the 1967 lines as a basis for talks, it has not decided whether to back the European Union, the United Nations and Russia — the other members of the so-called quartet — in declaring them the starting point, diplomats said. The quartet meets on April 15 in Berlin.

Israel, which has settled hundreds of thousands of Jews inside the West Bank and East Jerusalem, acknowledges that it will have to withdraw from much of the land it now occupies there. But it hopes to hold onto the largest settlement blocs and much of East Jerusalem as well as the border to the east with Jordan and does not want to enter into talks with the other side's position as the starting point.

That was true even before its closest ally in the Arab world, President Hosni Mubarak of Egypt, was driven from power, helping fuel protest movements that now roil other countries, including Jordan, which has its own peace agreement with Israel.

"Whatever we put forward has to be grounded in security arrangements because of what is going on regionally," said Zalman Shoval, one of a handful of Netanyahu aides drawing up the Israeli proposal that may be delivered as a speech to the United States Congress in May. "We are facing the rebirth of the eastern front as Iran grows strong. We have to secure the Jordan Valley. And no Israeli government is going to move tens of thousands of Israelis from their homes quickly."

Those Israelis live in West Bank settlements, the source of much of the disagreement not only with the Palestinians but with the world. Not a single government supports Israel's settlements. The Palestinians say the settlements are proof that the Israelis do not really want a Palestinian state to arise since they are built on land that should go to that state.

"All these years, the main obstacle to peace has been the settlements," Nimer Hammad, a political adviser to President Abbas, said. "They always say, 'but you never made it a condition of negotiations before.' And we say, 'that was a mistake.' "

The Israelis counter that the real problem is Palestinian refusal to accept openly a Jewish state here and ongoing anti-Israeli incitement and praise of violence on Palestinian airwaves.

Another central obstacle to the establishment of a State of Palestine has been the division between the West Bank and Gaza, the first run by the Palestinian Authority and the second by Hamas. Lately, President Abbas has sought to bridge the gap, asking to go to Gaza to seek reconciliation through an agreed interim government that would set up parliamentary and presidential elections.

But Hamas, worried it would lose such elections and hopeful that the regional turmoil could work in its favor — that Egypt, for example, might be taken over by its ally, the Muslim Brotherhood — has reacted coolly.

Efforts are still under way to restart peace talks but if, as expected, negotiations do not resume, come September the Palestinian Authority seems set to go ahead with plans to ask the General Assembly to accept it as a member. Diplomats involved in the issue say most countries — more than 100 — are expected to vote yes, meaning it will pass. (There are no vetoes in the General Assembly so the United States cannot save Israel as it often has in the Security Council.)

What happens then?

Some Palestinian leaders say relations with Israel would change. "We will re-examine our commitments toward Israel, especially our security commitments," suggested Hanna Amireh, who is on the 18-member ruling board of the Palestine Liberation Organization, referring to cooperation between Palestinian and Israeli troops. "The main sense about Israel is that we are fed up."

Mr. Shaath said Israel would then be in daily violation of the rights of a fellow member state and diplomatic and legal consequences could follow, all of which would be painful for Israel.

In the Haaretz newspaper on Thursday, Ari Shavit, who is a political centrist, drew a comparison between 2011 and the biggest military setback Israel ever faced, the 1973 war.

He wrote that "2011 is going to be a diplomatic 1973," because a Palestinian state will be recognized internationally. "Every military base in the West Bank will be contravening the sovereignty of an independent U.N. member state." He added, "A diplomatic siege from without and a civil uprising from within will grip Israel in a stranglehold."

Article 2.

Le Monde diplomatique

The Arab spring - Follow the money

Samir Aita

April 2011 -- The reasons for the Arab spring go deeper than immediate demands for freedom and democracy. The protesters want to end the political economy and the authoritarian regimes in place since the 1970s. Monarchies in the Arab world have been absolute, and life-long presidents (with hereditary office) ruled the republics, because they created a supreme power above both state and post-independence institutions (1). They set up and controlled their own security services to ensure that their powers would endure; the services escaped parliamentary or government supervision, and their members could reprimand a minister and impose decisions. It costs money to run such services, and the clientelist networks of one-party states. The funds derive not from public budgets, as do those for the police and the army, but from different sources of revenue. (The New York Times recently reported that Muammar Gaddafi had demanded in 2009 that oil firms operating in Libya should contribute to the $1.5bn he had promised to pay in compensation for the Lockerbie terrorist murders – or lose their licences. Many paid. And Gaddafi's immediate cash holdings of billions of dollars are thought to be funding his mercenaries and supporters to defend him.) After the spectacular 1973 rise in crude oil prices, Middle Eastern revenues increased considerably. Through the distribution circuits, and in collusion with major multinationals, part of the revenue went direct to the coffers of the royal or "republican" families instead of to the state. Nor was oil their only source of revenue. After there were no more commissions on major public contracts, civil and military, because of budget deficits and structural adjustments, new

opportunities arose. In the 1990s there were mobile telephone network launches, and the first major privatisations of public services, with public-private partnerships and build-operate-transfer (BOT) contracts. Mobile networks had massive margins, especially at the start when better-off clients were prepared to pay high prices. The major multinational operators, influential businessmen and governments fought to capture the income. (There is evidence for this in the legal dispute over Djezzy, the Algerian branch of the Egyptian operator Orascom, and the Algerian military, and in a previous dispute between Orascom and Syria's Syriatel, which happened just as the first large Arab multinationals emerged.) The globalisation of Arab economies and the demands of the International Monetary Fund – supported by the European Commission for the Mediterranean countries – tightened the regimes' hold on the economy, especially after the oil price crash of 1986. The ensuing decline in public investment and weakening of the governmental regulatory role ensured that the major multinationals held monopolies or oligopolies in exchange for sharing revenue with the powers-that-be. The senior management of the global corporations knew exactly where major decisions were taken and who the imposed local partners were for any new investment: the Trabelsi and Materi families in Tunisia, the Ezz and Sawires in Egypt, the Makhlouf in Syria, Hariri in Lebanon. The Sawires sold their shares in Orascom-Mobinil to France Telecom and offloaded their cement holdings before the Egyptian revolution. Najib Mikati, who had sold Investcom to the South African group MTN, is currently in charge of appointing the new government in Lebanon. Enthralled by the Dubai miracle, all the Arab countries ventured into real estate transactions that allowed them to dissimulate a public/private interest mix. Land was expropriated and then sold cheaply to property developers. Historic city centres were neglected but the local riad (traditional palaces) were renovated by international

investors, charmed by the exotic East, and property prices rose on a par with London, Paris or Tokyo. None of this would have been possible without banking, which facilitated the laundering of revenue and found ways to recycle it in real estate and commercial transactions. Banks were also the instruments of governments, providing credit to secure the lasting allegiance of local entrepreneurs.

Erosion of public services

But the state weakened and public services eroded. Where there was a need to send representatives abroad or to tap expertise at home, government members were co-opted; the good ones were technocrats from major international institutions such as the World Bank, but they lacked electoral legitimacy or programmes for which they would be accountable. The state ceased to be seen as a bureaucracy. Even the army weakened as well-equipped praetorian guards guaranteed the continuity of power (2).

Arab governments bore no resemblance to those after independence, which had electrified the countryside and established universal public education. Public services deteriorated, as reports by the UN Development Programme (UNDP) observed, because of privatisations entirely for revenue raising. Even Jeddah in oil-rich Saudi Arabia only has running water one day a week; and a Saudi prince authorised construction work in a valley without planning drainage, resulting in lethal floods. After every scandal there was an anti-corruption campaign, to little effect. The campaigns implied that corruption was a moral or religious issue rather than a systemic predation by leaders in alliance with business. Human dignity and work values were flouted. About a third of the working population in Arab countries is in the unofficial economy, in small jobs not included in unemployment statistics, which have been in double digits for a decade. Another third are self-employed, or employees

without work contracts, social security, retirement or union rights. The concept of the employee is disappearing, outside the public sector and government. There, social rights have been maintained and so jobs are coveted, especially by women, but openings are rare, because of the "structural adjustment" policies required by government spending cuts. The labour market is also fragmented by massive migration, both permanent (Palestinians, Iraqis or Somalis fleeing war) and temporary (mainly Asian), where migrants' economic and social rights are eroded, because the exploitation of migrant labour is now a source of revenue. When the generation of the Arab demographic boom reached working age in the 2000s, connected by the new internet culture, the base toppled the summit in Tunisia and Egypt, and the entire social structure was shaken. People have been surprised by the many demands, social and otherwise, released by the revolution. Arab countries now have to rebuild the constitutional state, where power is finite and subject to institutions, instead of levitating above them. Government-dependent sources of revenue will have to be dismantled, as will monopolies, to release entrepreneurial energy. There will have to be states that guarantee public and social freedoms for all, so that workers have rights, and the states will have to be accountable, based on social consensus. It isn't going to be easy, because the world, including Europe, isn't going that way.

Samir Aita is editor of the Arabic editions of Le Monde diplomatique and the author of Les travailleurs arabes hors-la-loi, L'Harmattan, Paris, 2011

(1) See Samir Radwan and Manuel Riesco, "The Changing Role of the State", Economic Research Forum, 2007.
(2) Read Salam Kawakibi and Bassma Kodmani, "To shoot, or not to shoot?", Le Monde diplomatique, English edition, March 2011.

Article 3.

Guardian

Obama doctrine? If only

Michael Boyle

2 April 2011 - In his speech on Monday night, President Obama articulated his rationale for the ongoing military campaign in Libya, claiming that a failure to act would have permitted humanitarian catastrophe that would have "would have reverberated across the region and stained the conscience of the world". His argument was essentially one of moral emergency, implying that anyone chastened by the failure of the US and European governments to act in Rwanda and similar cases should recognise the necessity of acting in Libya. But as recent events have demonstrated, a compelling moral case does not equate to a coherent strategy. Indeed, it is charitable to call this strategy muddled. Initially committed to only to defensive operations to stop the advance of the Libyan military into cities like Benghazi, the Obama administration quickly began working with the rebels to coordinate air strikes to push back Gaddafi's forces. This turned the US, Britain and France into combatants in a civil war; no matter how much they claim only to be engaged in "kinetic military action" or some other Orwellian euphemism, the facts are plain. There are now CIA officers present in Libya to coordinate air strikes with rebels, and the US has flown over 1,600 sorties. While the American public may be fooled by the dissembling language, Gaddafi and his regime will have no illusions about who is bombing them.

Now, if only to underscore this point that this is a real war, the US and its allies are considering sending weapons to the Libyan rebels. Even contemplating this reflects an astonishing level of ignorance:

the weapons will embolden the rebels and increase the chances of a bloody, long-running stalemate between the Gaddafi regime and the rebels. The coalition effort has gone from babysitting a civil war to sponsoring it, ignoring precedents such as Afghanistan that make clear that flooding a country with weapons leads only to higher death tolls and vicious blowback over the long run.

All of this could be forgivable if the Obama administration or its European partners had shown an iota of forethought about the potential consequences of their actions. Instead, they appear to have rushed into this operation without a workable Plan B. Their hope was that air strikes and the pressure of rebel advances would cause the regime to crumble. But Gaddafi's forces – still vastly more powerful than the rebels – have reversed their losses and a stalemate looks more likely. Further, even high-profile defections have not yet appeared to influence Gaddafi's (admittedly less than rational) thinking. Unless he is killed or otherwise overthrown, Gaddafi can continue to hold out, supported by a small number of loyalists and family members, in the hope that he can prolong the war to the point where the costs begin to exceed the potential benefits for US and its coalition partners. Given that he faces exile, indictment or death if he is overthrown, he has every incentive to do just that.

If that happens, the only option left would be to place US or allied ground troops to assist rebels in forcing Gaddafi out of power. But Secretary Gates has emphasised repeatedly that there will be no "boots on the ground". Having taken escalation through ground forces off the table, what then is the next step? How will additional pressure on Gaddafi be generated?

More to the point, what exactly is the strategy if the cumulative effect of the action so far is to produce the siege of Tripoli?

Instead of confronting these questions in a hardheaded way, the Obama administration has been obsessed with demonstrating the

international legitimacy of the operation, pointing to a UN mandate and the support of the Arab League. But diplomatic blessings do not change the facts of war. Even the transfer of command authority from the US to Nato is mere window-dressing; it is the same set of countries bombing Libyan forces, no matter what acronym they hide behind. It is a peculiar form of bureaucratic myopia to worry more about who sits in what chair in Brussels than about the consequences of poor strategy.

Even more depressingly, the political debate in the US over the Libyan operation has become grotesque, as the same players who served as cheerleaders for the Iraq war have come out in force to celebrate this war as a step forward for human rights. The same liberal internationalists who chided President Bush for seeking regime change in Iraq have applauded President Obama for taking similar action in Libya, despite the fact that the operations in Libya are well beyond the measures to protect civilians authorised in the UN security council resolution.

Similarly, the neoconservatives have seen this operation as a vindication of President Bush's strategy, and a reaffirmation of the right of the US to remove the leader of a foreign country if it suits out interests to do so. Neither party is behaving responsibly here. The Republican presidential candidates are stumbling over themselves finding ways to denounce President Obama for doing precisely what they would have done if put in his position. Meanwhile, few on the Democratic side appear to be willing to push the president to explain his nonsensical position that Gaddafi must go, but that the objective of the US is not regime change.

Perhaps the most dispiriting aspect of this operation is that it proves that President Obama has been seduced by the power of the Oval Office into betraying many of the promises he represented as a candidate. The same thoughtful man who once argued that the US

should never go to war without a congressional authorisation did not seek one, and waited ten days before even addressing the American public about his rationale for the operation. The same president who pledged in his national security strategy to take into account the limitation of our economic resources in his foreign policy decisions has led us into a war costing hundreds of millions of dollars. The same president once critical of a rush into a "dumb war" has let a compelling moral cause turn the US into a party in another war in the Middle East.

The unfortunate result is that President Obama has begun to resemble his predecessor far more than he or his supporters would care to admit.

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Article 4.

The Economist

American foreign policy - Why it's a theory, not a doctrine

31 march -- IT IS Pavlovian. As soon as a president does something new in foreign policy, the world wants to know whether he has invented a new "doctrine". The short answer in the case of Libya is that Barack Obama has not invented a new doctrine so much as repudiated an old one. What he is also doing, however, is challenging an American habit of mind.

The doctrine Mr Obama has repudiated is the one attributed to Colin Powell, the former chairman of the joint chiefs of staff and George W. Bush's transparently miserable secretary of state when America invaded Iraq in 2003. That held, among other things, that America ought to go to war only when its vital interests are threatened, when the exit strategy is clear, and when it can apply overwhelming force to ensure that its aims are achieved. Nothing could be more different from the account Mr Obama gave Americans on March 28th of his reasons for using military force in Libya. He does not believe that America's vital interests are at stake (though some "important" ones are); the exit strategy is not entirely clear (Colonel Qaddafi must go, but who knows when, and not as a direct result of American military action); and the force America is willing to apply (no boots on the ground) is strictly limited.

None of this should be a surprise. In "The Audacity of Hope", the bestseller Mr Obama wrote as a senator in 2006, he set out a theory of military intervention. Like all sovereign nations, he argued, America has the unilateral right to defend itself from attack, and to take unilateral military action to eliminate an imminent threat. But

beyond matters of clear self-defence, it would "almost always" be in its interest to use force multilaterally. This would not mean giving the UN Security Council a veto over its actions, or rounding up Britain and Togo and doing as it pleased. It would mean following the example of the first President Bush in the first Gulf war—"engaging in the hard diplomatic work of obtaining most of the world's support for our actions". The virtue of such an approach was that America had much to gain in a world that lived by rules. By upholding such rules itself, it could encourage others to do so too. A multilateral approach would also lighten America's burden at times of war. This might be "a bit of an illusion", given the modest power of most American allies. But in many future conflicts the military operation was likely to cost less than the aftermath: training police, switching the lights back on, building democracy and so forth.

The president, it now emerges, remembers exactly what he wrote. He hesitated about whether to act in Libya (just ask the French and British, who egged him on but came close to losing hope), but he was always clear about how. All the conditions he wished for in that book five years ago have come to pass. In this week's speech he ticked them methodically off: "an international mandate for action, a broad coalition prepared to join us, the support of Arab countries, and a plea for help from the Libyan people themselves. We also had the ability to stop Qaddafi's forces in their tracks without putting American troops on the ground." Under such circumstances, he said, for America to turn a blind eye to the fate of Benghazi would have been "a betrayal of who we are".

Why does this theory of intervention, and the noble sentiment attached to it, fail to qualify as a "doctrine"? Because it is too elastic to provide a guide to future action. Would America "betray" itself by turning a blind eye to atrocities under different, less favourable, circumstances? So it seems. It has, after all, done so before, in

Rwanda and Darfur—and Mr Obama appears to accept that it might have to do so again when, say, an alliance would be damaged, as in Bahrain, or the job is too hot to handle, as in Syria or Iran. Also unclear is whether an American interest must also be at stake before Mr Obama invokes the moral case for action. Conveniently (for the purpose of selling this particular war), the president detects a "strategic interest" in preventing Colonel Qaddafi from chilling the wider Arab spring, so nobody knows.

In fairness, elasticity is not a sin; and Mr Obama does not claim to have invented anything he calls a "doctrine". The worst you can say about his approach is that it is merely commonsensical: decide the issues case-by-case while holding some idea of values and interests in mind. Many who say they want more consistency than this (typically by asking some variant of "What about Zimbabwe?") do so not because they really believe that foreign policy can be run by an algorithm but in order to embarrass Mr Obama in any way they can. Prize chump in the case of Libya this past fortnight has been Newt Gingrich, the Republican presidential hopeful who demanded consistency, called for intervention and turned on a dime the instant Mr Obama answered.

After you, Sarko

More significant, however, is that habit of mind. In Libya Mr Obama is challenging the assumption of global leadership America has taken for granted ever since the second world war. America has joined coalitions before, but never under a president quite so adamant that America is not in charge—even if the military burden-sharing is indeed a bit of an illusion.

Most Republicans and quite a few Democrats hate this. Mr Obama's hope is that America's low profile will make the war more palatable not only to the Muslim world but also to the economy-fixated voters at home who question whether America can still afford to play its

traditional leadership role. What he may soon discover is that modesty extracts a price of its own. By sharing the leadership with others, he has made his policy hostage to the limited mandate (no use of force for regime change) imposed by the United Nations and the limited means of his allies in Europe and the Middle East. It may not be a doctrine, it should not be a surprise, but nobody can deny that it is a gamble.

Article 5.

The Atlantic

Struggling to Restart Egypt's Stalled Revolution

Eric Trager

CAIRO, Egypt -- Egypt's popular revolt was on the ropes. Tahrir Square had been mostly empty for weeks. Top regime figures remained free men. And on Wednesday, the Supreme Military Council released a revised constitution that, among other things, retained a Mubarak-era provision mandating that 50 percent of the parliament consist of workers and farmers.

"They are enabling the traditional forces to enter into and win the elections," said Shadi al-Ghazali Harb, an executive member of the Coalition of Revolutionary Youth, on Thursday evening.

Meanwhile, the youth organizations that had catalyzed the early stages of the revolt remained deeply divided on whether to keep protesting and, more importantly, on how to guide Egypt's political future.

On Friday, Egypt's youth activists overcame their impasse by agreeing on the past. Echoing scenes of two months prior, tens of thousands of Egyptians packed Tahrir Square to demand that former President Hosni Mubarak and his deputies be put on trial, and that the public funds they stole from the Egyptian people be returned. Posters carried images of former officials behind bars and activists chanted for the capture of former Shura Council president Safwat Sherif, former parliamentary speaker Fathi Sorour, and former chief of presidential staff Zakaria Azmi. The military had held control of the

country for seven weeks but, for the Tahrir faithful, the villains remained the same.
"But we need to be patient and we don't have time."
"We still have ministers whose money has not been investigated," said Maged Abduh, a businessman. "Zakaria Azmi is still working, as is Fathi Sarour. Why didn't they bring them and ask them about their money?"
Yet for many in Tahrir, the turnout was cause for hope. The demonstration's organizers had overcome many hurdles in the previous days -- in particular, a series of suspiciously widely distributed, anonymous messages falsely claiming that the demonstration had been postponed until next week. And although it fell well short of the "million-man march" that the organizers had promised, the return of flag-carrying crowds signaled to the military that the shaab -- the "people" -- remained invested in their revolution.
"It was good to send the message that we can have more protests, because people think and feel that the process is too slow," said Abdullah Helmi, a member of the Union of Revolutionary Youth.
The demonstration took place without the participation of the Muslim Brotherhood, which stood aside despite the pleas of its younger members. The Brotherhood's Guidance Office claimed that they had not been informed of the demonstration early enough to make a decision. They told their youth leaders that they feared a low turnout.
"They have their own way of dealing with the issue," said Muslim Brotherhood youth leader Islam Lotfi, sounding disappointed.
But Friday's demonstration still leaves Egypt's could-be revolution searching for a way forward. While liberals and leftists dominated the square -- at one point, the crowds jeered at a Salafist who took the stage -- the overwhelming majority seemed to be independents, with a handful of small, newly forming parties scattered about. They have no leader or even set of leaders who can channel their demands for a

better future into a widely agreeable program, and nobody can credibly represent them before the military council. So for now, the masses can only unify against things.

"The liberals have many small parties, and the left as well," said former liberal Wafd party chairman Mahmoud Abaza. "I think the hope of having a constitution that the Egyptian people will create and the fear of being squeezed between the army and the Islamists will create some opportunities for this front. But we need to be patient and we don't have time."

Still, Egypt's opposition groups may soon run out of things to oppose. In anticipation of Friday's demonstrations, the military announced the day before that Mubarak's top aides had been banned from leaving the country. If the military fully relents and opens investigations into their activities and finances, it may be hard for youth and liberal activists to convince people to return in droves to Tahrir Square. After all, the remaining demands from the revolution will have been met.

For the protesters still taking to Tahrir Square, and for those wary that the military could ultimately retain its grip on power, "saving" Egypt's revolution will require a liberal program for moving the country forward -- and fast. The longer that Egypt's revolutionary groups can only rally around rejecting the already-rejected Mubarak regime, the greater the advantage of illiberal forces in shaping the country's future.

Article 6.

The Washington Institute

Qatar's Quest to Become the Leading Arab State

Simon Henderson

March 31, 2011 -- The small Persian Gulf state of Qatar is emerging as a significant international player in the Libyan crisis and a crucial supporter of U.S. policy. But its relationship with the United States has often been difficult, and its standing in the rest of the Arab world is questionable. For Washington, the challenge is to achieve balance between U.S. expectations, Qatar's own regional ambitions, and the need to minimize any adverse impact on U.S. ties with other Arab allies.

Background

The Qatari peninsula is about the size of Connecticut, but most of its population -- around 200,000 citizens and 600,000 expatriate workers -- lives in and around the capital, Doha. A member of the Organization of the Petroleum Exporting Countries (OPEC), the emirate produces relatively little oil. Instead, its growing wealth is the result of having the third-largest natural gas reserves in the world (after Russia and Iran). Qatar is now the world's top exporter of liquefied natural gas, with Asia particularly reliant on its supplies. Revenue from these sales has given Qataris the highest per capita gross domestic product ($88,000) in the world, almost twice the figure for Americans.

In recent days, Qatar became the first Arab state to contribute to no-fly-zone patrols over Libya and recognize the Benghazi-based rebels as legitimate successors to the Qadhafi regime. It has also offered its status and experience in OPEC to help the rebels market the Libyan

oil and gas production that they control. In addition, the emirate was a major participant in the March 29 London conference regarding the crisis, and the first meeting of the follow-on Libya Contact Group will soon be held under Qatari chairmanship in Doha.

Qatar's leading representative at the London meeting and the driving force of its foreign policy is Sheikh Hamad bin Jassim al-Thani, who serves as both prime minister and foreign minister. HBJ, as he is widely known, is only a distant relative of ruler Sheikh Hamad bin Khalifa al-Thani, but the two leaders have an extraordinarily close working relationship, and HBJ is credited with making many of the emir's visions a reality.

Meanwhile, Qatar's Aljazeera satellite television channel is among the most watched in the region; the emir's (second) wife, Sheikha Mouza, is the driving force in encouraging American universities to set up branches in Doha and develop a world-class "medical city"; and Qatar has been chosen as the venue for the 2022 World Cup. The emirate is also becoming an increasingly large business conglomerate, with a national airline fleet that will soon exceed 100 aircraft, and a sovereign wealth fund t hat purchased Harrods, the iconic London store, in 2010, and owns the largest share of stock in a British supermarket chain.

Activist Foreign Policy

If Qatar's foreign policy appears eclectic in substance, its style often seems inconsistent -- and challenging even to its friends. Over the past several years, Qatar has tried to distinguish itself from the other members of the Gulf Cooperation Council (Saudi Arabia, Kuwait, Bahrain, the United Arab Emirates, and Oman) by being friendlier toward Iran and less publicly fearful of the Islamic Republic's nuclear ambitions. To the consternation of other GCC leaders, Qatar invited President Mahmoud Ahmadinezhad to Doha for the council's 2007 summit. Privately though, Qatar is cynical about Iran's aspirations. As

HBJ once told an American official, "[The Iranians] lie to us, and we lie to them."

More generally, Qatar tends to use Aljazeera as a tool of diplomacy. The network's coverage of domestic Qatari affairs is limited -- instead, Aljazeera news programming often seems aimed at annoying other Arab states. The United States was also a regular target of the network after the invasion of Iraq. For example, one false story broadcast in 2005 alleged that U.S. soldiers in Iraq were removing women's veils. The report caused widespread outrage in the Arab world and, according to then deputy defense secretary Paul Wolfowitz, was responsible for the killing of more than 100 American personnel. Qatari officials protested their innocence, claiming that Aljazeera was independent of government control and was permitted freedom of expression. Yet the output of the Arabic news channel and associated website suggests that they omit stories that might damage important diplomatic relationships (although the English channel and website are less constrained and more objective). Qatar has also sheltered or otherwise affiliated itself with prominent regional radicals. In addition to hosting Hamas leader Khaled Mashal, the emirate has permitted firebrand Egyptian cleric Sheikh Yusuf al-Qaradawi to broadcast a regular show on Aljazeera for years now, despite episodes justifying suicide attacks on Israeli children on the basis that they will grow up to become soldiers. And in the mid-1990s, Qatar allowed al-Qaeda terrorist Khaled Sheikh Muhammad, wanted by the United States for plotting aircraft bombings, to live in Doha, where he was given a government job and protected by a state minister.

Outreach to Israel and the U.S. Military

After Sheikh Hamad overthrew his indolent father in 1995, Doha worked to develop better ties with Washington, which at the time tended to view its relations with Arab Gulf states through the prism

of neighboring Saudi Arabia. Among Qatar's tactics was deliberate outreach to Israel as a means of countering potential U.S. congressional opposition. At one point, this led to an Israeli diplomatic office operating under commercial cover in Doha. Yet when presented with a reciprocal offer to open a Qatari office in Israel, the emirate ignored it, while the Israeli presence in Doha met with criticism from other Arab states and was eventually closed.

On a grander scale, Qatar speculatively built the giant al-Udeid Air Base a few miles outside Doha. Following the September 11 attacks, U.S.-Saudi relations grew tense, and Riyadh asked Washington to stop using the Prince Sultan Air Base and its associated Combined Air Operations Center. Qatar was thus able to step in and offer the United States instant access to al-Udeid. Today, the U.S. military runs most of its regional operations out of the base, including patrols to counter any hostile moves by Iran a hundred miles to the north and flights over Afghanistan six hundred miles to the east. Yet U.S. forces do not have carte blanche over al-Udeid: the Qatari military jealously guards its sovereign control over access to the facility even though its own small air force does not use it, instead operating from one side of the capital's main international airport.

Largely Symbolic Role in Libya

Qatar is taking great pride in its role in stemming the Libyan crisis. As the Qatari air force chief of staff put it: "Certain countries like Saudi Arabia and Egypt haven't taken leadership for the last three years. So we wanted to step up and express ourselves, and see if others will follow."

In actuality, however, the Qatari military is greatly limited in both size and capability. The four Mirage 2000 jets that Doha deployed to Greece for Libyan operations represent the bulk of its operational air force. And two of those aircraft nearly failed to arrive, having to divert to Cyprus after running short of fuel en route. Reliant on

servicing by French and other foreign technicians, the aircraft are not expected to see any real military action.

U.S. Policy and the Emir's Upcoming Visit

Qatari society does not recognize the universal freedoms that guide the Obama administration's foreign policy, but there is little domestic opposition to the emir's rule, which is marked by generous subsidies and traditional Gulf accessibility. Nevertheless, the administration should make the most of Sheikh Hamad's upcoming visit to Washington, originally scheduled for February but now seemingly slated for April. Doha will want to use the visit to confirm its new diplomatic status. Yet Washington must balance its gratitude for ongoing access to al-Udeid and the emirate's diplomatic support on Libya with the recognition that Qatar still has to prove itself as a reliable and consistent ally. Ultimately, Doha seeks guarantees of U.S. protection against Iran, which should be a win-win situation for Washington. But Doha is worried about the commitment of the Obama administration to deal with Qadhafi as well as Iran. Other U.S. Middle East allies will be watching closely to see how Washington handles its new best friend.

Simon Henderson is the Baker fellow and director of the Gulf and Energy Policy Program at The Washington Institute.

From: Lawrence Krauss [redacted]
Sent: 9/18/2015 6:26:27 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: an article you may both hate. or like.
Attachments: DA866543-7401-4A5A-8E50-FD32E33A50EC.png

Importance: High

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Importance: High

will bring up that possibility. :)

so glad we are aging to see you down there.. working hard now after a week of traveling with Johnny and late nights, to finish my new book so I can actually celebrate that as planned on the trip.

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From: Darren Indyke[redacted]
Sent: 5/15/2017 5:43:08 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Fwd: Search for next FBI director moves ahead quickly

Importance: High

FYI - Alice Fisher stated to be in the mix of potential candidates for new FBI director.

DARREN K. INDYKE
DARREN K. INDYKE, PLLC
575 Lexington Avenue, 4th Floor
New York, New York 10022
Telephone: [redacted]
Telecopier: [redacted]
Mobile: [redacted]
email: [redacted]

**** Please note that my mobile telephone number has changed to the new number provided above. ***

****
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****

Begin forwarded message:

From: "SmartBrief on Business & Politics" <politics@smartbrief.com>
Subject: **Search for next FBI director moves ahead quickly**
Date: May 15, 2017 at 1:40:32 PM EDT
To: [redacted]

Created for **dkiesq@aol.com** | Web Version

Public policy from a business perspective SIGN UP · FORWARD

NATIONAL PULSE

Search for next FBI director moves ahead quickly

Attorney General Jeff Sessions interviewed eight candidates to replace fired FBI Director James Comey on Saturday, with President Donald Trump indicating that the nomination could be announced by Friday when he leaves for his first foreign trip. Potential replacements include FBI special agent Adam Lee, Judge Michael Garcia and former Justice Department employee Alice Fisher, who would be the first female director.

New York Post (5/13), Politico (5/14)

THE BUSINESS & POLITICS POLL

What's your take on the Comey firing?

President Donald Trump's sudden firing of FBI Director James Comey has stirred a flurry of calls for an independent investigation of the event and the FBI's probe into possible collusion between Trump's campaign and Russian officials. Critics say the president's action was a deliberate attempt to derail in FBI investigation, while defenders say the president acted properly and Comey deserved to be fired.**This week's question: What's your take on the Comey firing?** Cast your vote below. We'll post the results Friday.

- The president acted properly and within his powers
- The firing was legal but badly handled
- The firing could be seen as obstructing justice
- The firing was definitely an obstruction of justice
- None of the above/other

AGENDA ITEMS

Senators: Trump should relinquish Comey tapes

Graham (Justin Sullivan/Getty Images)

Senators including Lindsey Graham, R-S.C., said on Sunday that if President Donald Trump recorded conversations with former FBI Director James Comey, he should provide those recordings to lawmakers. Sen. Chuck Schumer, D-N.Y., said Democrats might seek to delay a vote on a new FBI director until a special prosecutor is appointed to investigate potential connections between Trump and Russia.

Reuters (5/15)

- **9th Circuit to weigh revised travel ban** Reuters (5/15)
- **Price predicts Senate AHCA vote before Aug.** The Hill (5/12)
- **Senate to look at mechanisms for infrastructure funding** Bloomberg BNA (free content) (5/12)

DATA POINTS

Consumer retail activity up in April

(Scott Olson/Getty Images)

Retail sales increased by 0.4% in April, while the consumer-price index increased by 0.2% during the month. Retail sales improved in nine of the 13 main categories during April.

Bloomberg (5/12)

THE CONVERSATION

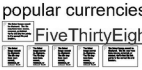
- **Former Sen. Judd Gregg: The simple fix GOP should make to health bill** The Hill (5/15)
- **Columnist Albert Hunt: Bad behavior is becoming the norm** Bloomberg View (5/14)
- **Former Judge Kenneth Starr: No need for Rosenstein to appoint special prosecutor** The Wall Street Journal (tiered subscription model) (5/14)

DAILY DIVERSION

$100 survived 34 transactions in a currency-exchange experiment

(Pixabay)

Carl Bialik took $100 to a currency exchange to see how many transactions he could make between different currencies before running out of money. Most exchanges require you to convert back to US dollars before going into another foreign currency, which led to significant fees when buying dollars with less popular currencies.



FiveThirtyEight (5/11)

HOT TOPICS

- **Trump faces leaks on Comey, suggests end to press briefings** Fox News
- **Trump unexpectedly fires FBI director** Bloomberg
- **Does Comey firing really parallel Nixon's "massacre?"** Tampa Bay Times (St. Petersburg, Fla.)
- **Contributor Betsy McCaughey: The Trump ad some will never see** RealClearPolitics
- **FCC website experiences denial-of-service attacks** Reuters

We will continue to work with the Leader [Mitch McConnell] and all the other senators who are interested, as I say, in working toward a positive, productive outcome. And I do, I believe the Senate will produce a bill this summer.

Tom Price, US secretary of health and human services, quoted by The Hill

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Editor - Jim Berard

Mailing Address:
SmartBrief, Inc.®, 555 11th ST NW, Suite 600, Washington, DC 20004

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From: Kathy Ruemmler [redacted]
Sent: 2/25/2018 10:05:17 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

Uh oh — You dimed out [redacted]

What is Benjamin upset about?

On Feb 25, 2018, at 4:30 PM, jeffrey E. <jeevacation@gmail.com> wrote:

onlyu slightly. [redacted] said ben giving her a very hard time, and did not know about tattoo

On Sun, Feb 25, 2018 at 4:28 PM, Kathy Ruemmler <[redacted]> wrote:

While he might like to, his lawyer would advise him against it. :-)

Are you feeling better today?

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Steve Bannon Feb 24 (1 day ago)

to me

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Barf.

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From: Lawrence Krauss [mailto:[redacted]
Sent: Thursday, September 10, 2015 1:51 AM
To: Noam Chomsky <[redacted]>; jeffrey E. <jeevacation@gmail.com>
Subject: an article you may both hate. or like.

hope all is well.

Lawrence

http://www.newyorker.com/news/news-desk/all-scientists-should-be-militant-atheists

Lawrence M. Krauss
Director, The Origins Project at ASU
Co-Director, Cosmology Initiative

Foundation Professor
School of Earth & Space Exploration and Physics Department

Arizona State University, P.O. Box 871404, Tempe, AZ 85287-1404
Research Office [redacted], Assistant (Jessica [redacted]
Origins Office (Cynthia) [redacted]
[redacted]
origins.asu.edu | twitter.com/lkrauss1 | krauss.faculty.asu.edu

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 5/15/2017 5:47:57 PM
To: Darren Indyke [redacted]
Subject: Re: Search for next FBI director moves ahead quickly

i know

On Mon, May 15, 2017 at 7:43 PM, Darren Indyke [redacted] wrote:

FYI - Alice Fisher stated to be in the mix of potential candidates for new FBI director.

DARREN K. INDYKE
DARREN K. INDYKE, PLLC
575 Lexington Avenue, 4th Floor
New York, New York 10022
Telephone: [redacted]
Telecopier: [redacted]
Mobile: [redacted]
email: [redacted] -

**** Please note that my mobile telephone number has changed to the new number provided above. ***

****
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****

Begin forwarded message:

From: "SmartBrief on Business & Politics" <politics@smartbrief.com>
Subject: Search for next FBI director moves ahead quickly
Date: May 15, 2017 at 1:40:32 PM EDT
To: [redacted]

Created for **dkiesq@aol.com** | Web Version

Public policy from a business perspective

SIGN UP · FORWARD

NATIONAL PULSE

Search for next FBI director moves ahead quickly

Attorney General Jeff Sessions interviewed eight candidates to replace fired FBI Director James Comey on Saturday, with President Donald Trump indicating that the nomination could be announced by Friday when he leaves for his first foreign trip. Potential replacements include FBI special agent Adam Lee, Judge Michael Garcia and former Justice Department employee Alice Fisher, who would be the first female director.

New York Post (5/13), Politico (5/14)

THE BUSINESS & POLITICS POLL

What's your take on the Comey firing?

President Donald Trump's sudden firing of FBI Director James Comey has stirred a flurry of calls for an independent investigation of the event and the FBI's probe into possible collusion between Trump's campaign and Russian officials. Critics say the president's action was a deliberate attempt to derail in FBI investigation, while defenders say the president acted properly and Comey deserved to be fired.**This week's question: What's your take on the Comey firing?** Cast your vote below. We'll post the results Friday.

- The president acted properly and within his powers
- The firing was legal but badly handled
- The firing could be seen as obstructing justice
- The firing was definitely an obstruction of justice
- None of the above/other

AGENDA ITEMS

Senators: Trump should relinquish Comey tapes

Graham (Justin Sullivan/Getty Images)

Senators including Lindsey Graham, R-S.C., said on Sunday that if President Donald Trump recorded conversations with former FBI Director James Comey, he should provide those recordings to lawmakers. Sen. Chuck Schumer, D-N.Y., said Democrats might seek to delay a vote on a new FBI director until a special prosecutor is appointed to investigate potential connections between Trump and Russia.

Reuters (5/15)

- **9th Circuit to weigh revised travel ban** Reuters (5/15)
- **Price predicts Senate AHCA vote before Aug.** The Hill (5/12)
- **Senate to look at mechanisms for infrastructure funding** Bloomberg BNA (free content) (5/12)

DATA POINTS

Consumer retail activity up in April

(Scott Olson/Getty Images)

Retail sales increased by 0.4% in April, while the consumer-price index increased by 0.2% during the month. Retail sales improved in nine of the 13 main categories during April.

Bloomberg (5/12)

THE CONVERSATION

- **Former Sen. Judd Gregg: The simple fix GOP should make to health bill** The Hill (5/15)
- **Columnist Albert Hunt: Bad behavior is becoming the norm** Bloomberg View (5/14)
- **Former Judge Kenneth Starr: No need for Rosenstein to appoint special prosecutor** The Wall Street Journal (tiered subscription model) (5/14)

DAILY DIVERSION

$100 survived 34 transactions in a currency-exchange experiment

(Pixabay)

Carl Bialik took $100 to a currency exchange to see how many transactions he could make between different currencies before running out of money. Most exchanges require you to convert back to US dollars before going into another foreign currency, which led to significant fees when buying dollars with less popular currencies.

FiveThirtyEight (5/11)

HOT TOPICS

- **Trump faces leaks on Comey, suggests end to press briefings** Fox News
- **Trump unexpectedly fires FBI director** Bloomberg
- **Does Comey firing really parallel Nixon's "massacre?"** Tampa Bay Times (St. Petersburg, Fla.)
- **Contributor Betsy McCaughey: The Trump ad some will never see** RealClearPolitics
- **FCC website experiences denial-of-service attacks** Reuters

We will continue to work with the Leader [Mitch McConnell] and all the other senators who are interested, as I say, in working toward a positive, productive outcome. And I do, I believe the Senate will produce a bill this summer.

Tom Price, US secretary of health and human services, quoted by The Hill

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 2/25/2018 10:33:32 PM
To: Kathy Ruemmler [[redacted]]
Subject: Re:

Yup

On Sun, Feb 25, 2018 at 5:30 PM Kathy Ruemmler <[redacted]> wrote:

Barf.

On Feb 25, 2018, at 5:29 PM, jeffrey E. <jeevacation@gmail.com> wrote:

she said he wants her to do wife like things. ugh

On Sun, Feb 25, 2018 at 5:05 PM, Kathy Ruemmler <[redacted]> wrote:

Uh oh — You dimed out [redacted]

What is Benjamin upset about?

On Feb 25, 2018, at 4:30 PM, jeffrey E. <jeevacation@gmail.com> wrote:

onlyu slightly. ariane said ben giving her a very hard time, and did not know about tattoo

On Sun, Feb 25, 2018 at 4:28 PM, Kathy Ruemmler <[redacted]> wrote:

While he might like to, his lawyer would advise him against it. :-)

Are you feeling better today?

On Feb 25, 2018, at 4:17 PM, jeffrey E. <jeevacation@gmail.com> wrote:

Steve Bannon Feb 24 (1 day ago)

to me

https://www.politico.com/story/2018/02/23/susan-rice-lawyer-obama-administration-classified-intelligence-michael-flynn-trump-423437

do you think Bill Clinton would like to join you me ehud and steve.? could be very funny, all off the record.

--

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Goldman Sachs

Investment Management Division

An Overview of the Current State of Cryptocurrencies and Blockchain Technology

November 15, 2017

Investment Strategy Group

Today's Discussion

I. The Cryptocurrency Marketplace

II. Blockchain Technology and Potential Uses

III. How Cryptocurrencies Work

IV. Is Bitcoin a Viable Currency?

V. Is Bitcoin a Viable Asset?

VI. Cryptocurrency Risks

VII. Key Takeaways

Source: Investment Strategy Group

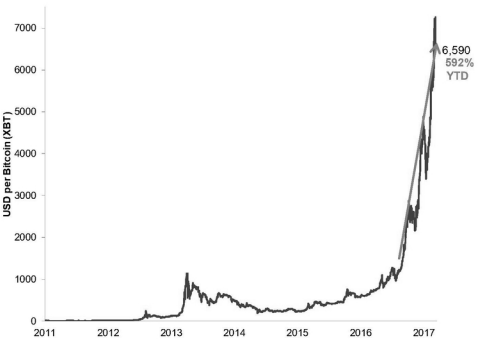
HOUSE_OVERSIGHT_025664

Cryptocurrencies Have Received Enormous Attention

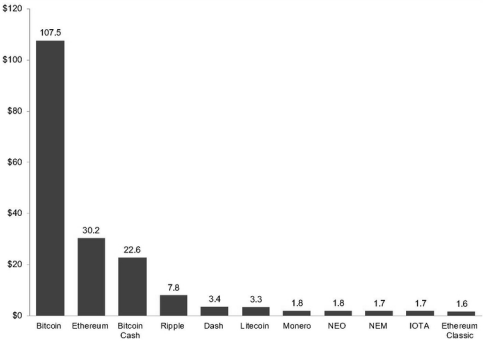
Investment Management Division

Goldman Sachs

1. Bitcoin Currency Value – Through November 14, 2017



2. Cryptocurrencies with Market Capitalization over US$1 Billion



- Bitcoin was conceived in 2008 by an anonymous inventor who is known by the pseudonym, Satoshi Nakamoto.
- Since then, an estimated 2,000+ cryptocurrencies have come into existence, with a combined market cap of over $200bn.[1]
- There are an estimated 129 focused hedge funds[2] and 121 cryptocurrency exchanges globally.[3]

(1) Coinranking.com, (2) https://next.autonomous.com/thoughts//how-many-crypto-hedge-funds-can-you-count, (3) https://cryptocoincharts.info/markets/info

Source: Investment Strategy Group, Cryptocompare.com.

HOUSE_OVERSIGHT_025665

Cryptocurrencies have Garnered Diverging Views

Timeline of Statements and Measures over Recent Months

Investment Management Division

Goldman Sachs

Apr. 1, 2017 — Japanese government recognizes Bitcoin as legal tender

July 24, 2017 — US CFTC approves Bitcoin futures trading

Sept. 4, 2017 — China bans ICOs

Sept. 11, 2017 — China bans cryptocurrency exchanges

Sept. 12, 2017 — *"It's a fraud…worse than tulip bulbs"*[1] –J. Dimon

Sept. 17, 2017 — BIS publishes report weighing risks and benefits of cryptocurrencies

Sept. 28, 2017 — South Korea bans ICOs

Sept. 27, 2017 — *"[Bitcoin is] certainly more than just a fad"*[2] – MS CEO, Gorman

Sept. 29, 2017 — Japan's FSA approves 11 operators of cryptocurrency exchanges

Sept. 29, 2017 — SEC charges two ICOs with fraud

Oct. 3, 2017 — *"Still thinking about #Bitcoin. No conclusion - not endorsing/rejecting"*[3] *- Lloyd Blankfein*

Oct. 13, 2017 — *"Index of money laundering." - Blackrock CEO Larry Fink*

Nov. 14, 2017 — *"Bitcoin is 'a ponzi scheme'" - DBS Group (David Gledhill)*

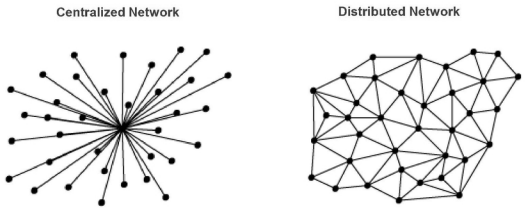
(1) Barclays Investor Conference, September 12, 2017. (2) Wall Street Journal Event, September 27, 2017. (3) Twitter, October 3, 2017. (4) CNBC, November 14, 2017.

Source: Investment Strategy Group, public news sources.

HOUSE_OVERSIGHT_025666

What is Blockchain Technology?

Illustrative Schematic: Centralized Network versus Distributed Network



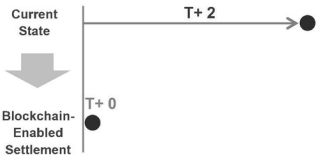
- Blockchain is the critical and differentiating infrastructure that underlies cryptocurrencies.
- Unlike most networks today, which rely on a centralized hub, a blockchain is a public distributed network whose complete database can be accessed and maintained by each member of the network.
- The blockchain is a shared and continually reconciled database. As new transactions occur, data is quickly disseminated to, verified, and incorporated across all nodes on the network.
- Because it has no single maintainer, the blockchain's history is resistant to editing by a malicious actor.

Source: Investment Strategy Group, http://cryptocurrencyfacts.com/how-does-cryptocurrency-work-2/ .

HOUSE_OVERSIGHT_025667

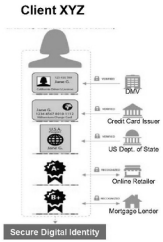
Blockchain Technology Holds Potential for a Range of Applications

1. Financial Market Transactions



- Banks are focused on blockchain technology for post-trade settlement and clearing, with aims to:
  - ✓ Streamline equities settlement from T+2 to T+0.

2. Identity Validation and Security



- Potential to securely link identity and payment credentials to a unique individual.
  - ✓ Benefit peer-to-peer businesses reliant on counterparty trust.
  - ✓ Streamline compliance and anti-money laundering surveillance.

- Goldman Sachs Global Investment Research expects limited blockchain adoption over the next 2-5 years, and broader acceptance after 5-10 years.
  - – Capital market adoption may take over 10 years, given regulatory oversight and the multitude of participants.

Source: Investment Strategy Group, GS Investment Research, Profiles in Innovation: Blockchain: https://360.gs.com/gs/portal/?st=1&action=action.binary&d=21760456&fn=/document.pdf.
Goldman Sachs & Co LLC, Blockchain, The New Technology of Trust, http://www.goldmansachs.com/our-thinking/pages/blockchain/index.html

HOUSE_OVERSIGHT_025668

What is a Cryptocurrency and Why is Blockchain Technology Important?

Common Features of Cryptocurrencies	
Common Features of Cryptocurrencies	**Attributes**
✓ **Digital**	▪ Coin ownership is represented by entries on a digital ledger, not by a physical token.
✓ **Decentralization**	▪ No single entity controls the currency.
✓ **Open Source**	▪ All source code is available freely online.
✓ **Distributed Consensus**	▪ Each cryptocurrency uses a method for obtaining consensus on ownership without a central arbiter.
✓ **Pseudonymity**	▪ Coin ownership is not linked to real-world identities within the blockchain.
✓ **Cryptography** (computerized encoding)	▪ Several cryptographic techniques are used to verify transactions, protect identities, and limit supply.

- A cryptocurrency is a decentralized digital coin. It allows users to make transactions and store money in a secure and pseudonymous manner.
- All cryptocurrency transactions are recorded chronologically on a blockchain, which acts as the critical infrastructure underlying a cryptocurrency.
- The process of verifying transactions and ensuring the validity of the blockchain is called "mining."
- Mining solves the "double-spending" problem that had plagued previous attempts to implement a digital currency.

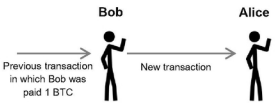
Source: Investment Strategy Group, http://cryptocurrencyfacts.com/how-does-cryptocurrency-work-2/ .

HOUSE_OVERSIGHT_025669

How Do Miners Process Individual Transactions?

Illustrative Schematic of a Bitcoin Transaction

Step 1: Bob wants to pay Alice 0.5 BTC

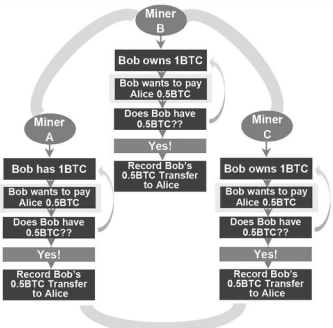


1) Before sending any bitcoins, Bob must hold bitcoins in his wallet from a previous transaction (or by solving a block to earn the mining reward).

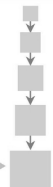
2) Bob creates a new transaction in which he pays 0.5 BTC (of his 1 BTC) to Alice.

3) Bob broadcasts this transaction to the network for validation and inclusion in the blockchain.

Step 2: Miners Verify the Transfer Request and add it to the next block



Step 3: Block Containing Bob and Alice's Transaction is Added to the Blockchain



1) Miner B happens to be the first to solve this block and adds it to the blockchain. Miner B collects 12.5-bitcoin reward.

2) If Bob's transaction is included the block, Alice becomes the owner of 0.5 BTC, which will register in her wallet.

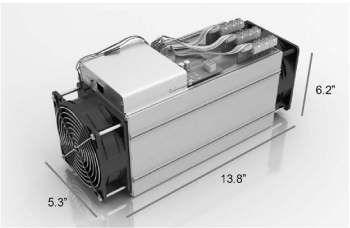
- Consensus transaction validation creates a book of record for all transactions that have ever occurred.
  - Transactions may only occur if they are supported by evidence from previous transactions.
  - To send bitcoins, an owner's wallet uses its private key to prove ownership of the referenced bitcoins.
- Transaction processing typically take 10-20 minutes, but can take up to 18 hours if the network is congested.

Source: Investment Strategy Group.

HOUSE_OVERSIGHT_025670

What is Mining?

ASIC Mining Computer and a Mining Rig



- Miners use highly specialized computers designed to run an algorithm that attempts to solve a cryptographic puzzle in order to add a new block on the blockchain. By design, a bitcoin block is created once every ten minutes.
- The computing power required to solve the cryptographic puzzle is high and expensive; bitcoin mining consumes an estimated $1.3bn worth of electricity annually[1]—equivalent to Ireland's annual electricity consumption.
- In order to incentivize mining, the first miner to complete a block is rewarded 12.5 bitcoins. The global supply of bitcoins is capped at 21mil (currently ~16.5m) and follows a predetermined growth rate—the miners' rewards halve every four years.
- Given ~1-1.5m mining units globally, the likelihood of any one miner solving a block is low. Many miners join "mining pools," which are cooperatives which share block rewards proportionate to contributed mining power.
  - Mining pools are highly concentrated; the top four pools represent over 50% of total mining power.

(1) Bitcoin Energy Consumption Index: https://digiconomist.net/bitcoin-energy-consumption

Source: Investment Strategy Group, http://cryptocurrencyfacts.com/how-does-cryptocurrency-work-2/.

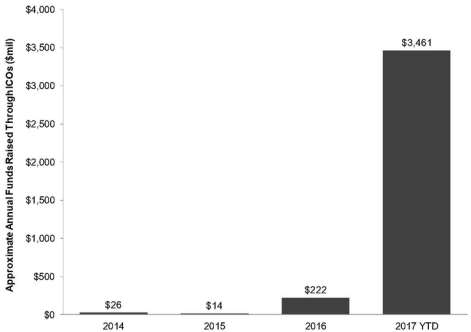
HOUSE_OVERSIGHT_025671

ICOs Fund the Development of New Currencies

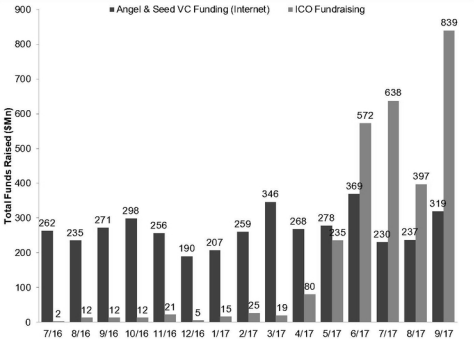
Investment Management Division

Goldman Sachs

1. Approximate Funds Raised by ICOs by Calendar Year (US$ Milllions)



2. Total Funds Raised by Month (US$ Millions): Angel and Seed Stage Internet VC versus ICO



- New blockchain-related projects are funded via an Initial Coin Offering (ICO). This process raises capital through token sales.
- In an ICO, the object offered is either a new digital coin or a yet-undeveloped concept in search of funding. ICO investors purchase an ownership percentage of a future money supply or functionality.
- While many ICOs support legitimate use cases, Autonomous Research asserts, *"unfortunately, many ICOs are fraudulent."*[1]
- Rather than raising fiat currency, ICOs primarily raise capital in the form of Bitcoin and Ether, driving additional demand for the cryptocurrencies.

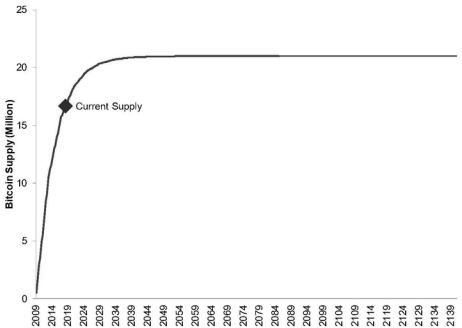
(1) #Token Mania, Autonomous Research, July 2017.

Source: Investment Strategy Group, Bloomberg, Goldman Sachs Global Investment Research, Cryptocompare.com.

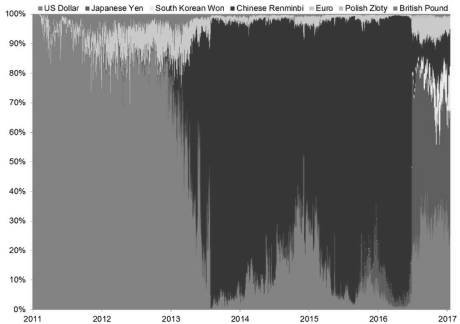
HOUSE_OVERSIGHT_025672

Why Have Cryptocurrencies Rallied So Much?

1. Bitcoin Supply Over Time (Million Tokens)



2. Currency Composition of Bitcoin Purchase Volume



- In addition to speculation, which has been the biggest driver of cryptocurrency appreciation, other drivers include:
- **Perceived Scarcity:** Bitcoin's 21 million token cap is expected to be reached in 2140 (16.5 million today). Many of the over 2,000 other cryptocurrencies, however, do not have a capped supply. Further, while unlikely, bitcoin's token cap could be raised if a consensus of programmers decided so.
- **Desired Safe-haven:** Increased global participation reflects desire for an asset independent from governments or central banks ("digital gold"). Many governments from which investors have sought diversification, however, have recently banned domestic crypto-exchanges.

Source: Investment Strategy Group, Bloomberg, Cryptocompare.com.

HOUSE_OVERSIGHT_025673

As Bitcoin Ownership is Not Anonymous, Illicit Use has Fallen

Larry Fink on Bitcoin's Illicit Use

"Bitcoin just shows you how much demand for money laundering there is in the world. That's all it is. It's an index of money laundering."

– BlackRock CEO *Larry Fink, October 13, 2017*

- Because bitcoin is pseudonymous, not anonymous, users' real-world identities are ascertainable once the individual converts bitcoin to fiat currency.
- Digital intelligence companies continually scan the blockchain to identify suspicious transaction activity.
- The Blockchain Intelligence Group estimates that illegal transactions in bitcoin fell from ~50% of total volume in 2015 to ~20% in 2016, and represent *"significantly less than that"* today.
- As law enforcement has become better able to track bitcoin ransom, cybercriminals have begun to favor currencies that allow anonymity, such as Monero and Zcash, and even Ether.

Source: Investment Strategy Group, Blockchain Intelligence Group, https://www.cnbc.com/2017/08/29/dark-web-finds-bitcoin-increasingly-more-of-a-problem-than-a-help-tries-other-digital-currencies.html.

HOUSE_OVERSIGHT_025674

Sovereign Currencies Meet Three Criteria

1) **They are used as a medium of exchange**.
   - To represent a medium of exchange, an instrument must facilitate the transaction of goods or services between parities *(US$ are used to buy a barrel of oil)*.

2) **They serve as unit of account**.
   - A unit of account is a measurement which allows value to be accounted and compared *(a barrel of WTI is worth ~$55)*.

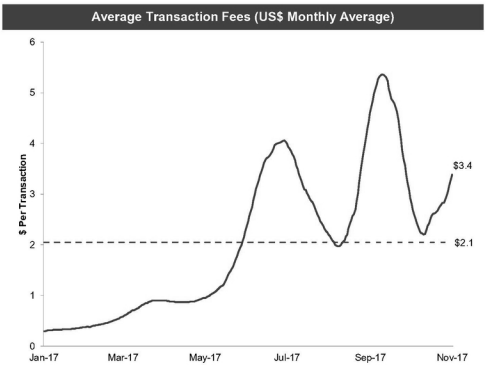
3) **They are a store of value**.
   - A store of value is an asset that can be saved, stored, and exchanged in the future for a predictable stable value *(with 2% annual inflation, a nominal dollar today will be worth 82¢ in 10 years)*.

Source: Investment Strategy Group, Do Digital Currencies Pose a Threat to Sovereign Currencies and Central Banks?, Daniel Heller, PIIE.

HOUSE_OVERSIGHT_025675

Do Cryptocurrencies Meet the Criteria for Currencies?

1) Bitcoin is an Inefficient Medium of Exchange



- Processing is expensive. The average transaction cost is ~$3.40, rendering transfer of small fund balances uneconomical.
- Processing is slow. Transaction processing typically takes a minimum of 10-20 minutes, but can take up to 18 hours if the network is congested (Visa and Mastercard authorize transactions in ~20 milliseconds).
- Bitcoin is not broadly accepted. A mere 9k merchants accept bitcoin, compared to the 37mil that accept Visa and MasterCard, and the billions of merchants and people globally that accept US dollars.[1]
- Further, the IRS considers all cryptocurrency gains a taxable event (including for de minimis purchases).

(1) Do Digital Currencies Pose a Threat to Sovereign Currencies and Central Banks?, Daniel Heller, PIIE.

Source: Investment Strategy Group, Bloomberg, Cryptocompare.com.

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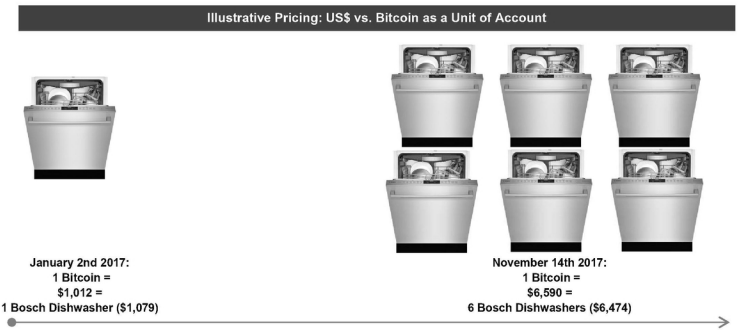
Do Cryptocurrencies Meet the Criteria for Currencies?

2) Bitcoin is an Unreliable Unit of Account



- Bitcoin's rapid appreciation makes it an unsatisfactory candidate as a unit of account.
- In January, one could have purchased a dishwasher for one bitcoin. Today, it would cost 1/6th a bitcoin to buy the unit, implying severe deflation over the past several months.
- In deflationary environments, people hoard their money in order to buy goods more cheaply at a later date, which has prompted most people to hoard their bitcoin.

Source: Investment Strategy Group, Bloomberg, Cryptocompare.com.

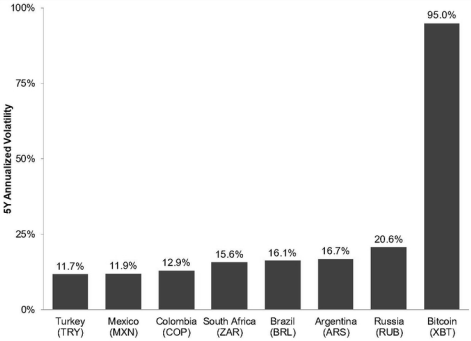
Do Cryptocurrencies Meet the Criteria for Currencies?

3) Bitcoin is an Unstable Store of Value

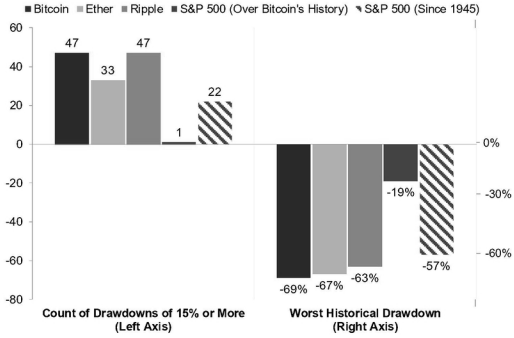
Investment Management Division

Goldman Sachs

1. Volatility: Bitcoin versus Most Volatile EM Currencies



2. Bitcoin, Ether and Ripple versus S&P 500 Historical Drawdowns



- Bitcoin's annualized volatility of 95% dwarfs even the most volatile of EM currencies.
- Bitcoin's volatility is 8x the volatility of US equities. In terms of both count and magnitude, Bitcoin, Ether and Ripple have all experienced more severe drawdowns over their short histories than the S&P 500 has since 1945.
- Bitcoin exchanges have thin liquidity, which plays a role in driving enormous price movement—so far to the upside, but which could cause a flash crash upon a large sell order. A ~$30 million sell order would likely move the market by 5%.
- A store of value should predictably preserve wealth. Bitcoin is unable to do so, as it neither generates income nor grows with earnings.

Source: Investment Strategy Group, Bloomberg, Coindesk.com.

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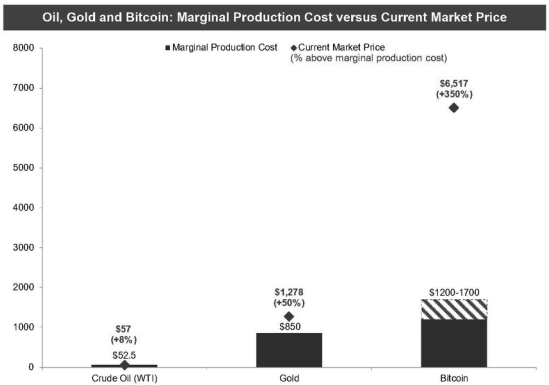
Compared to Commodities, Bitcoin's Market Price is Dislocated Relative to its Marginal Production Cost



- Bitcoin tokens possesses no physicality, a criteria for traditional commodities.
- Compared to other commodities, Bitcoin's market price stands far above its marginal production cost.
  - Gold miners' and oil drillers' revenues stand 50% and 8% above their marginal production costs, respectively.
  - Bitcoin miners' revenue per bitcoin stands approximately 350% above their electricity expenditures.

(1) Peter C.B. Phillips, Shu-Ping Shi and Jun Yu, *"Testing for Multiple Bubbles: Historical Episodes of Exuberance and Collapse in the S&P 500,"* International Economic Review, Oct 28, 2015.

Source: Investment Strategy Group, Bloomberg.

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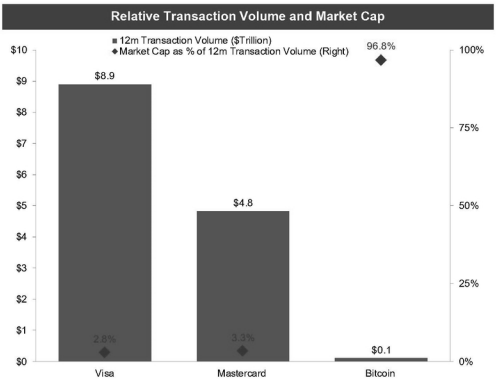
Bitcoin's Market Cap is Dislocated Relative to that of Payment Processors



- Traditional payment processors, Visa and Mastercard, each processed several trillion worth of transaction volumes in 2016. Bitcoin has processed $111 billion of transactions over the last 12 months.
  - Bitcoin's slow transaction time precipitated its recent "hard fork" in attempt to enhance processing capacity.
- Whereas traditional payment processors' market cap represents ~3% of their transaction volume, Bitcoin's represents 97%, suggesting its valuation is dislocated from its fundamental value and that speculation has driven its price.

(1) "Future of Finance Payment Ecosystems," Goldman Sachs Global Investment Research, August 3, 2017.

Source: Investment Strategy Group, Bloomberg, Corporate Annual Reports, Cryptocompare.com.

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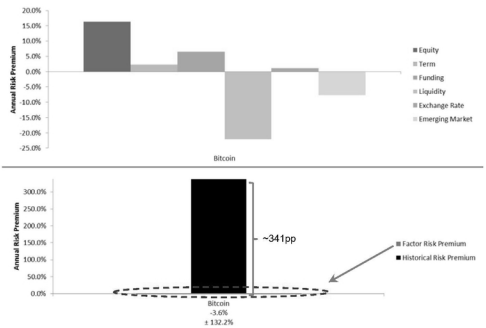
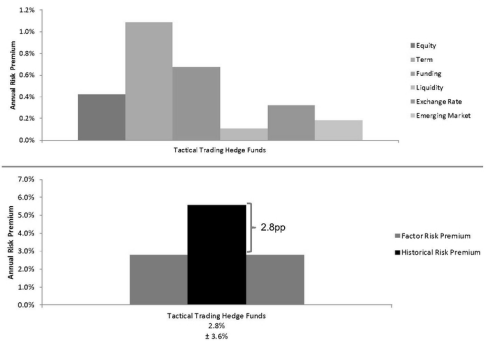
Bitcoin's Historical Risk Premium is Unexplainable

1. Bitcoin Factor Exposures and Unexplained Premium



2. Tactical Hedge Funds' Factor Exposures and Unexplained Premium



- Bitcoin's 300%+ historical annual risk premium is idiosyncratic and cannot be explained by ISG's multi-factor model.
- An inability to understand sources of risk and return makes one incapable of predicting when performance will reverse.
- For tactical hedge funds, half of the historical risk premium is explained by the factor model.

(1) Peter C.B. Phillips, Shu-Ping Shi and Jun Yu, *"Testing for Multiple Bubbles: Historical Episodes of Exuberance and Collapse in the S&P 500,"* International Economic Review, Oct 28, 2015.

Source: Investment Strategy Group, Bloomberg.

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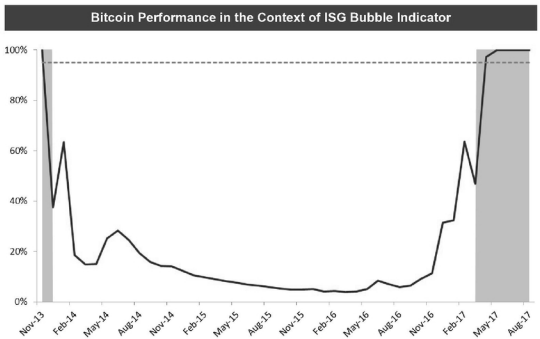
Bitcoin's Recent Performance is Suggestive of Bubble Territory



- A bubble-detection test that measures explosive price behavior based on the S&P 500's price-to-dividend ratio[1] suggests only a 16% probability that the US stock market is currently in a bubble.
- Bitcoin's price performance, on the other hand, suggests the asset has been in bubble territory since early this year.

(1) Peter C.B. Phillips, Shu-Ping Shi and Jun Yu, *"Testing for Multiple Bubbles: Historical Episodes of Exuberance and Collapse in the S&P 500,"* International Economic Review, Oct 28, 2015.

Source: Investment Strategy Group, Bloomberg.

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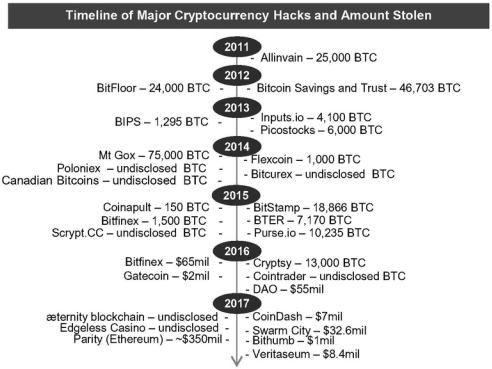
Key Cryptocurrency Risks

- In addition to their extreme volatility, cryptocurrencies are vulnerable to:
  - Hacking of Exchanges
  - Unintentional Coding Error
  - Government Regulation
  - Central Bank Disruption
  - Developments in Quantum Computing (which would increase success of private key hacking)

Source: Investment Strategy Group.

The Cryptocurrency Infrastructure is Young and Susceptible to Hacking



- Although cryptocurrencies cannot be spent without control of the corresponding private keys, care must be taken to protect those private keys. Many bitcoin owners allow exchanges to custody their private keys, which leaves them vulnerable:
  - If hackers are able to access owners' private keys, they can deplete owners' digital wallets.
  - As of August 2016, Reuters reported that a third of bitcoin exchanges had been hacked.[1]
  - Ethereum's recent Parity hack is the first time a coding error has resulted in a loss of funds.
- Estimates vary but suggest that hackers have stolen at least several hundred million dollars of cryptocurrencies.

(1) http://fortune.com/2016/08/29/risk-of-bitcoin-hacking-is-real/
Source: Investment Strategy Group, public news sources. See appendix for list of articles.

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Cryptocurrencies' Legal and Regulatory Status Remains Uncertain

Country	Illustrative Acceptance of Cryptocurrencies[1]	Cryptocurrencies' Status	Key Regulator
Switzerland	●	Assets, not Securities	▪ FINMA
Singapore	●	Assets, not Securities	▪ Monetary Authority of Singapore
Japan	●	Recognized as legal tender (Bitcoin only)	▪ Financial Services Agency
United Kingdom	●	Private Currency	▪ Financial Conduct Authority
United States	●	– Commodities, potentially securities (SEC has not yet made determination) – IRS treats as property for tax purposes (Exchanges, however, are not required to create 1099s).	▪ SEC ▪ CFTC ▪ OCC ▪ 50 States
Russia	●	Financial instruments, not currency	▪ Central Bank of Russia ▪ Russian Finance Ministry
China	●	Non-monetary digital asset	▪ People's Bank of China

- The cryptocurrency world operates across geographic and jurisdictional borders, creating ambiguity as to its legal status.
- Individual countries have taken differing views on cryptocurrencies.

(1) Data according to Autonomous NEXT #Token Mania (July 2017)

Source: Investment Strategy Group, Cryptocompare.com.

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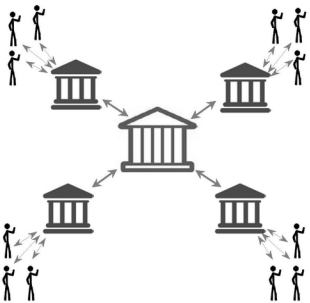
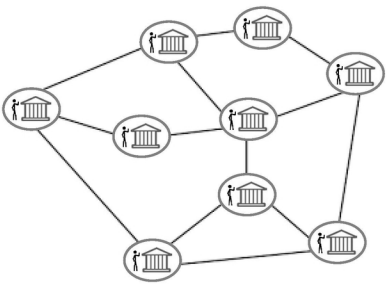
Central Banks Have Begun Exploring Cryptocurrency Options

1. Central Bank Current State



2. Illustrative Potential State: Central Bank Cryptocurrencies



- Sovereign central banks have begun exploring cryptocurrency options.
- A retail central bank cryptocurrency would effectively give the public access to accounts at the central bank with the ability to transfer payments peer-to-peer.
- Cryptocurrency proposals are being considered by several central banks, including Singapore's MAS, China's PBOC, Russia's Central Bank, Sweden's Riksbank and Ecuador's Banco Central.
- A successful central bank cryptocurrency could substantially reduce fraud and tax evasion.

Source: Investment Strategy Group, *"Central Bank Cryptocurrencies,"* Morten Bech, Rodney Garratt, Bank of International Settlements.

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Central Bank Cryptocurrencies Could Substantially Reduce Fraud

"Say there's a grant to Nigeria for health stuff—if it's digital money, they can track that it was paid to a certain person and when it was paid out. Then you can audit later and say, 'Did that really happen?' You don't want to tell donors that three percent went astray. Now that there's digital traceability in a place like Nigeria, where corruption is a huge problem, we can bring that down. A lot of the optimism we have at the foundation about disease, education and financial services is because we're sitting on top of a digital miracle."

– Bill Gates, September 25, 2017

Source: Investment Strategy Group, *"Brain Trust: A Rare Joint Interview with Microsoft CEO Satya Nadella and Bill Gates,"* The Wall Street Journal, September 25, 2017.

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Key Takeaways

- Blockchain technology, which underlies cryptocurrencies, is revolutionary, and likely to have many applications.
- Cryptocurrencies are currently too volatile to be a medium of exchange, unit of account, or store of value, and have many vulnerabilities.
- The cryptocurrency ecosystem will evolve substantially over time.
- The current incarnation of cryptocurrencies is unlikely to persist, but we expect central bank digital currencies to prevail.

Source: Investment Strategy Group.

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Goldman Sachs

Investment Management Division

Economic and Market Monitors

Economics Monitor

Investment Management Division

Goldman Sachs

US Labor Market Data	Period	Actual	Survey	Prior	Revised
JOLTS Job Openings (k)	Sep	6,093	6,075	6,082	6,090
Initial Jobless Claims (k)	4-Nov	239	232	229	--
Continuing Claims (k)	28-Oct	1,901	1,885	1,884	--

US Consumer Sentiment	Period	Actual	Survey	Prior	Revised
U. of Mich. Sentiment	Nov P	97.8	100.8	100.7	--
U. of Mich. 5-10 Yr Inflation	Nov P	2.5%	--	2.5%	--

China Activity Data	Period	Actual	Survey	Prior	Revised
Foreign Reserves	Oct	3,109	3,110	3,109	--
Exports YoY	Oct	6.9%	7.1%	8.1%	8.0%
Imports YoY	Oct	17.2%	17.0%	18.7%	18.6%
CPI YoY	Oct	1.9%	1.8%	1.6%	--

European PMI Data	Period	Actual	Survey	Prior	Revised
Markit Eurozone Composite PMI	Oct F	56.0	55.9	55.9	--
Markit/BME Germany Composite PMI	Oct F	56.6	56.9	56.9	--
Markit France Composite PMI	Oct F	57.4	57.5	57.5	--
Markit/ADACI Italy Composite PMI	Oct	53.9	54.3	54.3	--
Markit Spain Composite PMI	Oct	55.1	54.6	56.4	--

European Activity Data	Period	Actual	Survey	Prior	Revised
Eurozone Retail Sales YoY	Sep	3.7%	2.8%	1.2%	2.3%
Italy Retail Sales YoY	Sep	3.4%	0.5%	-0.5%	-0.1%
Germany Industrial Prod. WDA YoY	Sep	3.6%	4.5%	4.7%	4.6%
France Industrial Production YoY	Sep	3.2%	3.1%	1.1%	1.0%
Italy Industrial Production WDA YoY	Sep	2.4%	4.8%	5.7%	5.8%
Spain Industrial Output SA YoY	Sep	3.4%	3.1%	1.8%	1.9%

- The US labor market continues to tighten; the small miss in claims is largely explained by Puerto Rico.
- Chinese trade growth moderated; deals announced during President Trump's visit are unlikely to reduce trade deficit.
- Eurozone data came in mixed relative to consensus expectations, but still points to above-trend growth in the region.

Source: Investment Strategy Group, Bloomberg.

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Markets Monitor

Investment Management Division

Goldman Sachs

	1Y Price Range	11/14/2017	WTD	Last Week[1]	YTD
S&P 500		**2,579**	**-0.1%**	**-0.2%**	**15.2%**
Cons Disc		738	0.4%	0.7%	13.9%
Cons Staples		564	0.9%	2.1%	6.0%
Energy		503	-2.1%	1.1%	-9.3%
Financials		433	0.1%	-2.7%	12.0%
Health Care		936	-0.3%	-0.5%	17.4%
Industrials		596	-0.9%	-1.1%	10.7%
Info Tech		1,106	-0.2%	0.0%	36.9%
Materials		362	-0.6%	-1.2%	15.9%
Real Estate		209	0.1%	3.2%	9.8%
Telecom		142	-1.7%	-1.3%	-19.8%
Utilities		288	2.4%	0.4%	16.6%
NASDAQ		**6,738**	**-0.2%**	**-0.2%**	**25.2%**
VIX		**11.59**	**0.30**	**2.15**	**(2.45)**
2yr Yield		1.69%	0.03%	0.04%	0.50%
10yr Yield		2.37%	-0.03%	0.07%	-0.07%
30yr Yield		2.83%	-0.05%	0.07%	-0.24%
30yr AA Yield		3.83%	-0.05%	0.14%	-0.33%
HY Spread (bps)		360	0	21	-49
LIBOR		1.42%	0.00%	0.02%	0.42%

	1Y Price Range	11/14/2017	WTD	Last Week[1]	YTD
MSCI AC World		**573**	**-0.4%**	**-0.4%**	**14.6%**
MSCI EAFE		**1,148**	**-0.8%**	**-1.1%**	**10.7%**
TOPIX		1,779	-1.2%	0.4%	17.1%
FTSE 100		7,414	-0.2%	-1.7%	3.8%
DAX		13,033	-0.7%	-2.6%	13.5%
IBEX 35		9,990	-1.0%	-2.6%	6.8%
Euro Stoxx 50		3,556	-1.0%	-2.6%	8.1%
MSCI EM		**60,154**	**-0.7%**	**0.2%**	**26.2%**
MSCI China		88	-0.7%	2.4%	50.7%
MSCI India		1,214	-1.3%	-1.6%	23.5%
MSCI Brazil		240,688	-1.9%	-2.3%	15.4%
MSCI Russia		969	-0.3%	5.4%	-3.0%
USD Trade Weighted		81.16	-0.3%	-0.5%	-7.0%
EUR		1.1798	1.1%	0.5%	12.2%
JPY		113.46	0.1%	0.5%	3.1%
GBP		1.3165	-0.2%	0.9%	6.7%
EM Currencies[2]			-0.2%	0.0%	7.6%
CNH		6.6357	0.4%	-0.4%	5.1%
WTI Crude Oil		55.70	-1.8%	2.0%	3.7%
Gold Spot Price		1,280	0.4%	0.5%	11.1%

1Y Low — 1Y Avg. — Current — 1Y High

- Equities were softer as concerns around tax reform outweighed a mostly positive Q3 earnings season. Bond yields rose globally and the dollar weakened, while oil continued to rally on geopolitical concerns.

* Based on the MSCI EM Currency index.

Source: Investment Strategy Group, Bloomberg.

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Goldman Sachs

Investment Management Division

Appendix & Disclosures

Appendix

- Allinvain - https://www.forbes.com/sites/timworstall/2011/06/17/bitcoin-the-first-500000-theft/#68fa3f5929b3
- BitFloor - https://www.theverge.com/2012/9/5/3293375/bitfloor-bitcoin-exchange-suspended-theft
- Bitcoin Savings and Trust - https://www.theverge.com/2012/8/27/3271637/bitcoin-savings-trust-pyramid-scheme-shuts-down
- BIPS - https://www.coindesk.com/bitcoin-payment-processor-bips-attacked-1m-stolen/
- Inputs.io - https://www.coindesk.com/hackers-steal-bitcoins-inputs-io-wallet-service/
- Picostocks - https://bitcointalk.org/index.php?topic=576337#post_toc_58
- Mt. Gox - https://www.forbes.com/sites/andygreenberg/2014/02/25/bitcoins-price-plummets-as-mt-gox-goes-dark-with-massive-hack-rumored/#5b7199ffce1f
- Poloniex - https://www.coindesk.com/poloniex-loses-12-3-bitcoins-latest-bitcoin-exchange-hack/
- Canadian Bitcoins - https://news.vice.com/article/over-100k-in-bitcoin-was-stolen-in-a-ridiculously-low-tech-heist
- Flexcoin - https://www.coindesk.com/bitcoin-bank-flexcoin-close-600000-bitcoin-theft/
- Bitcurex - https://www.coindesk.com/polish-bitcoin-exchange-bitcurex-targeted-hacking-attack/
- Coinapult - https://bravenewcoin.com/news/bitcoin-exchange-bitfinex-integrates-bitgo-following-recent-hack/
- Bitfinex - https://cointelegraph.com/news/breaking-bitfinex-hot-wallet-hacked-bitcoins-stolen
- Scrypt.CC - http://insidebitcoins.com/news/cloud-mining-provider-scrypt-cc-drains-bitcoin-from-user-balances/34500
- BitStamp - http://www.zdnet.com/article/bitstamp-bitcoin-exchange-suspended-amid-hack-concerns-heres-what-we-know/
- BTER - https://www.coindesk.com/bter-bitcoin-stolen-cold-wallet-hack/
- Purse.io - https://www.cryptocoinsnews.com/purse-io-users-are-targeted-by-hackers-10-235-btc-stolen/
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- DAO - https://www.coindesk.com/dao-attacked-code-issue-leads-60-million-ether-theft/
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- Parity (Ethereum) - https://motherboard.vice.com/en_us/article/ywbqmg/parity-multi-signature-wallet-vulnerability-300-million-hard-fork
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- Swarm City - https://www.cnbc.com/2017/07/20/32-million-worth-of-digital-currency-ether-stolen-by-hackers.html
- Bithumb - http://www.livebitcoinnews.com/south-korean-government-investigates-latest-bithumb-hack/
- Veritaseum - https://www.coindesk.com/veritaseum-founder-claims-8-million-ico-token-stolen/

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From: Quora Digest [digest-noreply@quora.com]
Sent: 7/4/2019 9:34:40 AM
To: jeevacation@gmail.com
Subject: Do French people generally identify more with Germans, Italians, or Spaniards?

Jeffrey's Digest

TOP STORIES FOR YOU

Do French people generally identify more with Germans, Italians, or Spaniards?

Hendrik Vanger, studied at Pompeu Fabra University
Written Jun 23

I am not French, I am Spanish, so my answer will be about my own impression of France, having been in the country several times and knowing some French people.

Culturally, t...

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My dad is a US citizen and I'm currently on F1 visa. Can he file for me while I'm in the US?

Kathryn Berck, Retired US consular(visa) officer,INTJ,CASA,writer,dog saver
Written Jun 26

Yes, your father can do that. And if you are still in a legal nonimmigrant status (F1 and studying full time) when the petition reaches its priority date, you might be able...

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What are some things that the French do best?

Tsuk János, For the past 65 years have lived on and off in France
Written Jun 24

In no particular order :

Complaining I think the French are very good in that field but I confess that my Hungarian compatriots are not bad at it either !

Considering their f...

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What does the Italian "Grazie al cazzo" mean?

Alberto Tandoi, I'm italian. I write for work (copywriter) and for fun!
Updated Apr 8

Ok, this is a difficult one to translate in english, meaning that, as far as my english/american enables me to guess, there is not a corresponding phrase, in english, for "...

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Has President Trump already won the trade war, by convincing the world's top manufacturers that they must leave China, in order to diversify their supply chain options for the long term?

Paul Sutton, Stock Trader, electrical engineer
Written Jun 22

Talk is cheap, and saying "we're going to relocate manufacturing" and actually doing it are two entirely different things. Trump has won nothing - so far. Nobody wins a tra...

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Why are people so harsh about Boris Johnson? I keep seeing news articles about "stopping him". It seems pretty unfair.

Colin Riegels, admitted as a lawyer in five countries
Updated Jun 16

I was having dinner with a friend the other night, and he was relaying a conversation to me that he had recently had with a Tory party insider. This person was conveying th...

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Was Sauron afraid of Smeagol?

Sid Kemp, Living with it for over 45 years, love to read, think, and share ideas about it
Updated Oct 17, 2018

According to J. R. R. Tolkien, yes, Sauron was afraid of Smeagol, that is, Gollum. He was not afraid to torture him for information, nor to keep him in prison for a while. ...

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Why did you leave Italy?

Paul Ferrise, lived in Italy
Updated Apr 30

If I had known then what I know now, I would have never left. Yes, Italy has its issues, but compared the the US, its not worse. I moved to Italy in 1995 (I am a dual natio...

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If Denmark, Norway and Germany are economically to the left of the USA, how come their taxes rates are less than that of the USA?

Alice Bauer, PhD. Electrical Engineering, business owner, working on defense contracts.
Updated Jun 27

If you make 1 million USD:

Sweden: You pay 53.9% of your income in taxes.

Denmark: You pay 52.4% of your income in taxes.

Norway: You pay 45.1% of your income in taxes.

... Read More »

What would be the reaction if you opened a pub in the UK but actually sold beer chilled like in North America?

Alex Patrick, B-Sc (Hons) Computer Science
Updated Jun 26

This question can only originate from someone who doesn't know about UK pubs or beer.

99.9% of pubs sell at least one or two lagers, all of which are served cold. You can't ...

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May 27, 2008

VIA FACSIMILE (202) 514-0467 ***CONFIDENTIAL***

Honorable Mark Filip
Office of the Deputy Attorney General
United States Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, D.C. 20530

Dear Judge Filip:

This letter briefly supplements our prior submission to you dated May 19, 2008. In that communication, we urgently requested that your Office conduct an independent review of the proposed federal prosecution of our client, Jeffrey Epstein. The dual reasons for our request that you review this matter are (i) the bedrock need for integrity in the enforcement of federal criminal laws, and (ii) the profound questions raised by the unprecedented extension of federal law by the United States Attorney's Office in Miami (the "USAO") to a prominent public figure who has close ties to former President Clinton.

The need for review is now all the more exigent. On Monday, May 19, 2008, First Assistant Jeffrey Sloman of the USAO responded to an email from Jay Lefkowitz informing U.S. Attorney Alex Acosta that we would be seeking your Office's review. Mr. Sloman's letter, which imposed a deadline of June 2, 2008 to comply with all the terms of the current Non-Prosecution Agreement (the "Agreement"), plus new unilateral modifications, on pain of being deemed in breach of that Agreement, appears to have been deliberately designed to deprive us of an adequate opportunity to seek your Office's review in this matter.

The USAO's desire to foreclose a complete review is understandable, given that the Child Exploitation and Obscenity Section ("CEOS") has already determined that our substantive arguments regarding why a federal prosecution of Mr. Epstein is not warranted were "compelling." However, in contradiction to Mr. Sloman's assertion that CEOS had provided an independent, *de novo* review, CEOS made clear that it did not do so. Indeed, CEOS declined to examine several of the more troubling aspects of the investigation of Mr. Epstein, including the deliberate leak to the *New York Times* of numerous highly confidential aspects of the investigation and negotiations between the parties as well as the recent crop of civil lawsuits filed against Mr. Epstein by Mr. Sloman's former law partner.

The unnecessary and arbitrarily imposed deadline set by the USAO was done without any respect for the normal functioning and scheduling of state judicial matters. It requires that Mr. Epstein's counsel persuade the State Attorney of Palm Beach to issue a criminal information

to a charge that the State Attorney has not, despite a two year investigation, determined to be appropriate. Mr. Epstein's counsel must also successfully expedite a plea of guilty to this charge on a date prior to July 8, 2008, which is the date presently set by the state court Judge.

Further, the unnecessary deadline is even more problematic because Mr. Epstein's effort to reconcile the state charge and sentence with the terms of the Agreement requires an unusual and unprecedented threatened application of federal law. Thus, it places Mr. Epstein in the highly unusual position of having to demand that the State acquiesce to a more severe punishment than it had already determined was appropriate.

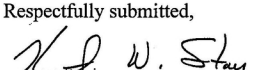
We have attempted to resolve these and other issues through the USAO and CEOS, including raising our concerns about the USAO's inappropriate conduct with respect to this matter. But those avenues have now been shut down. Mr. Sloman's letter purports to prohibit any further contact between Mr. Epstein's defense team and U.S. Attorney Acosta, and instead requires us to communicate with the USAO only though Mr. Sloman's subordinates.

While it pains us to say this, this misguided prosecution from the outset gives the appearance that it may have been politically motivated. Mr. Epstein is a highly successful, self-made businessman and philanthropist who entered the public arena only by virtue of his close personal association with former President Bill Clinton. There is little doubt in our minds that the USAO never would have contemplated a prosecution in this case if Mr. Epstein were just another "John."

U.S. Attorney Acosta previously has stated that he is "sympathetic" to our federalism-related concerns, but he has taken the position that his authority is limited by enforcement policies set forth in Washington, D.C. As expressed in our prior communication to you, we believe that a complete and independent appraisal and resolution of this case most appropriately would be undertaken by your Office—beginning with the rescission of the arbitrary, unfair, and unprecedented deadline that Mr. Sloman demands to have imposed in this case. At the very least, we would appreciate a tolling of the arbitrary timeline imposed on our client by the USAO in order to allow time for your office to consider our request that you undertake a review of this case.

Thank you for your time and attention.

Respectfully submitted,



Kenneth W. Starr
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To:	*Company:*		*Fax #:*	*Direct #:*
Honorable Mark Filip	Office of the Deputy Attorney General United States Department of Justice		(202) 514-0467	(202) 514-2101
From:	***Date:***	***Pages w/cover:***	***Fax #:***	***Direct #:***
Kenneth W. Starr	May 27, 2008	3	(213) 680-8500	(213) 680-8440

Message:

Source Entry: H\Macintosh HD\root\Users\jee\Library\Messages\Archive\2018-08-23\[redacted] on 2018-08-17 at 11.53.05.ichat

Service: iMessage

Start Time: 08/17/18 08:53:05 AM (556213985)

End Time: 08/23/18 03:07:01 PM (556754821)

Last Message ID: 19138

Chat Room:

Participants: jee, [redacted]

Presentity IDs: e:jeeitunes@gmail.com, [redacted]

Messages -

Sender: e:jeeitunes@gmail.com

Time: 08/17/18 08:53:05 AM (556213985)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 87838E9F-C372-4612-80EE-B8A4327BA691

Message: How did it go?

Sender: [redacted]

Time: 08/17/18 09:07:05 AM (556214825)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: 33591123-5B17-4DBD-863B-961513F2776A

Message: 2 pm now

Sender: e:jeeitunes@gmail.com

Time: 08/17/18 03:03:12 PM (556236192)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C567F5BA-A18C-411C-943B-DA3277FE2C63

Message: I took off early so I could land in time to watch. - all good?

Sender: [redacted]

Time: 08/17/18 03:05:43 PM (556236343)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: B755787C-1E9A-4650-93C5-F8758A804BF2

Message: On now

Sender: [redacted]

Time: 08/17/18 03:08:56 PM (556236536)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 5C0467FA-E0CF-468C-A007-0D339401884F

Message: They went for an hour instead of 30 minutes--- showing the entire hour over multiple platforms

Sender: e:jeeitunes@gmail.com

Time: 08/17/18 03:09:10 PM (556236550)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: EBC49CBB-40D5-4FD2-B713-E8D2589A3864

Message: Atta boy

Sender: [redacted]

Time: 08/17/18 03:10:52 PM (556236652)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 42A84910-8773-4CFB-A69C-2F7DBCB4455C

Message: My team loved it-- I was too focussed

Sender: [redacted]

Time: 08/17/18 03:11:01 PM (556236661)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: BE5AD061-E5DB-49ED-AC00-877B5D42CE43

Message: In the moment

Sender: e:jeeitunes@gmail.com

Time: 08/17/18 03:14:32 PM (556236872)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E8410D53-1E89-49CE-96D8-C36CF8BC96C4

Message: New razor blades?

Sender: e:jeeitunes@gmail.com

Time: 08/17/18 03:19:00 PM (556237140)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: FB7EF7FB-C110-4EF6-B0C1-4B5F33E95623

Message: Loved the trump@war trailer

Sender: [redacted]

Time: 08/17/18 03:19:25 PM (556237165)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 47C4FEC4-C3DE-4817-BFA5-6ACABC3B7F54

Message: I think u will love the film-- pure deplorables

Sender: [redacted]

Time: 08/17/18 03:20:05 PM (556237205)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 6345C163-6E0B-4006-83C9-810DCD5CC3A4

Message: For the 'soy boy' network I wanted to be 'clean' not sloppy

Sender: e:jeeitunes@gmail.com

Time: 08/17/18 03:21:01 PM (556237261)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 7A022390-C4FE-4305-B0D9-9F6165FCECF2

Message: Closer to toy boy ;)

Sender: [redacted]

Time: 08/17/18 03:21:46 PM (556237306)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: B24F700C-360B-416A-8C88-BDFD128D1A31

Message: This ari guy is gay !

Sender: e:jeeitunes@gmail.com

Time: 08/17/18 03:23:15 PM (556237395)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 13BA2B20-5BFD-4216-B657-C7434FF7BBD4

Message: You looked so clean cut next to him i thought i turned on the figure skating channel by accident

Sender: [redacted]

Time: 08/17/18 03:23:38 PM (556237418)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: C49C09F8-DB72-44F1-A336-EAAFBF55E525

Message: My 'come hither' look

Sender: e:jeeitunes@gmail.com

Time: 08/17/18 03:24:24 PM (556237464)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 232B08AD-A445-4076-8380-C1FEDB152E2E

Message: Better than the usual 'come hitler 'look

Sender: [redacted]

Time: 08/17/18 03:24:41 PM (556237481)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 5933B672-AAF0-4CB2-B6B0-3BA421A06F0D

Message: Ouch

Sender: e:jeeitunes@gmail.com

Time: 08/17/18 03:26:21 PM (556237581)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 54FBF225-AB56-48C6-A8C6-2E837805C73A

Message: That's what ari was hoping to hear. Seriously- Great job

Sender: [redacted]

Time: 08/17/18 03:26:50 PM (556237610)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 32355F22-B83D-40F7-9403-84AB02BC4749

Message: I'm not watching -- how did it come across ???

Sender: e:jeeitunes@gmail.com

Time: 08/17/18 03:32:43 PM (556237963)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5DCBA168-241D-4B16-AFD4-8A80AAEA92FA

Message: Based on the comments, couldn't be better. '.

Sender: [redacted]

Time: 08/17/18 03:45:13 PM (556238713)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: DADE9038-FF21-4E20-8FE4-53ED6CB600C9

Message: Cool

Sender: e:jeeitunes@gmail.com

Time: 08/18/18 05:10:32 AM (556287032)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: CBF14700-253D-4AE0-BC05-D2FE01FF1C78

Message: Last ten minutes , more the real you. .

Sender: e:jeeitunes@gmail.com

Time: 08/18/18 05:13:06 AM (556287186)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: EBDE3079-0471-428B-B0E4-3C5961216566

Message: What was your takeaway , inaddtion to getting air con that works?

Sender: [redacted]

Time: 08/18/18 05:25:06 AM (556287906)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: B70DBD03-E7EB-415D-87EA-9994A5A67E19

Message: I was under orders to dial it down for this audience -- between Errol Morris film; NY Mag and this hour and half making huge inroads but can't be the constant aggressor

Sender: [redacted]

Time: 08/18/18 05:25:14 AM (556287914)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: BBF5ECE4-5E65-4E03-89DA-145F5F3AEE77

Message: Dialed it way back

Sender: e:jeeitunes@gmail.com

Time: 08/18/18 05:27:06 AM (556288026)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 74A65E20-22C7-4497-A976-46F521066C18

Message: Mike tyson waltzing □

Sender: [redacted]

Time: 08/18/18 05:29:02 AM (556288142)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 987DE573-E4EE-4ABF-9F49-1B60414403E1

Message: Agree but different audience with a different tonality --first of many I'm doing to these guys

Sender: e:jeeitunes@gmail.com

Time: 08/18/18 05:40:37 AM (556288837)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: BFE67DC7-BAEC-4475-8A09-2567C360BBD8

Message: Actually the first of Very many to come. Thats why -what tweaks will make it better for you? Your eye is the best , so important for you to watch the play reel. Over the shoulder for him , 3/4 for you. ?? lighting. . hot for you . /. chairs . ? too restrictive for you. ? Loved pulling out the FT. .!

Sender: [redacted]

Time: 08/18/18 05:43:21 AM (556289001)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 59E91471-9AA5-4015-83E2-4E78F5D63AF5

Message: Yes

Sender: e:jeeitunes@gmail.com

Time: 08/18/18 05:43:36 AM (556289016)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F0E10634-BD01-4995-BB0B-C202E4BC4AAB

Message: Im back wed . (Thiel coming). We can discuss response to tax cut criticism. The 83 percent to rich is misleading by miles . Cash back. Pension funds up.

Sender: e:jeeitunes@gmail.com

Time: 08/18/18 05:48:01 AM (556289281)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2A8A60E2-621B-43AE-A028-2E52725AB117

Message: Corporations are not people. Giving corp breaks , is perceived as giving it to someone else. wage inflation cant be the first focus, the additional money in the system. First goes to hiring new people, only afterwards can wages rise. etc. will you be in ny end of week.?

Sender: [redacted]

Time: 08/18/18 05:58:53 AM (556289933)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 925CC1FE-273E-4A14-BE90-C61DB2C17CC9

Message: I'm all day by day now-- heading to see Kudlow then Texas -- u know Kyle Bass?

Sender: e:jeeitunes@gmail.com

Time: 08/18/18 06:03:40 AM (556290220)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: A4AB9E4F-7D1C-480C-BC1D-73CBD99AB69F

Message: no . Not a heavy weight. He was at bear for a while. Neither big hat nor lots of cattle

Sender: e:jeeitunes@gmail.com

Time: 08/18/18 06:04:59 AM (556290299)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: FBCB7CA6-C63B-4021-8642-217424898977

Message: Can you have one of your boys send Trump@war. , if easy

Sender: e:jeeitunes@gmail.com

Time: 08/18/18 06:06:37 AM (556290397)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0B842F96-B7DB-446A-9180-C7B4EC2828E6

Message: I suggest kudlow point to strength of dollar . Market up. . in the face of the the worry on tariffs.

Sender: e:jeeitunes@gmail.com

Time: 08/18/18 06:07:44 AM (556290464)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E2867F22-333E-41F4-B833-C654ECFBFA1A

Message: In the uncertain future people want a stable economy , and there is no completion to that on the world stage

Sender: e:jeeitunes@gmail.com

Time: 08/18/18 06:08:00 AM (556290480)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 7A0C1CC7-3FFF-4D69-9D7A-6D426F4D01E9

Message: competition*

Sender: [redacted]

Time: 08/18/18 06:31:49 AM (556291909)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 793F0EAF-627C-4CB6-90B4-5DC82080CD3E

Message: Yes

Sender: e:jeeitunes@gmail.com

Time: 08/18/18 05:22:38 PM (556330958)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 20C104B5-73CA-4536-96D4-CAD3DD875562

Message: Im going to Europe sept 3

Sender: [redacted]

Time: 08/18/18 05:23:36 PM (556331016)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: F9D766D0-315D-4146-BB67-F250AF688BDE

Message: Really --- Paris ???

Sender: e:jeeitunes@gmail.com

Time: 08/18/18 05:23:51 PM (556331031)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8AE460B6-E872-423A-8820-7940AC2725E8

Message: Yes , plus plus

Sender: e:jeeitunes@gmail.com

Time: 08/18/18 05:25:04 PM (556331104)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 420BEFBF-78BA-4066-9CE2-A23BDE6735C6

Message: Plus a side trip to Dubai for a day

Sender: e:jeeitunes@gmail.com

Time: 08/18/18 05:26:37 PM (556331197)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: DE5BF826-4315-41BF-BF02-B9C545C8B602

Message: You would love it. I have some africans here (palm beach) for advice. , the front of my house looks like Blackhawk down.

Sender: [redacted]

Time: 08/18/18 05:35:31 PM (556331731)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: B9ED0B49-B90C-41EC-AD82-C57ABDF05EAC

Message: LMAO!!!

Sender: e:jeeitunes@gmail.com

Time: 08/18/18 06:34:39 PM (556335279)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0F04B7CC-6C31-43CA-BB76-06AB4A265208

Message: Can also leave the 2nd

Sender: e:jeeitunes@gmail.com

Time: 08/19/18 02:38:26 PM (556407506)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 74F7619D-2554-4B87-8D27-CD3DF3669BAB

Message: Do you think you might want to hitch a ride?

Sender: e:jeeitunes@gmail.com

Time: 08/20/18 03:41:22 AM (556454482)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: CD771AD2-DA7A-4CB7-83D7-5F202D51DEA2

Message: 561 655 7626. If you have time .

Sender: e:jeeitunes@gmail.com

Time: 08/20/18 07:06:15 PM (556509975)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 427136A1-3D30-4AFA-8C12-75D57DBDC95F

Message: Kavanaugh letter says clinton masturbated in a trash can. Wow

Sender: [redacted]

Time: 08/20/18 07:31:43 PM (556511503)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: A9E48E84-7009-4E1E-84A0-DE2841F674CD

Message: ???

Sender: e:jeeitunes@gmail.com

Time: 08/20/18 07:34:03 PM (556511643)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 77638F1C-4A6F-47B3-ABA8-5F730A21BC69

Message: His memo on front of nytimes . I have never seen that memo and starr never joked about it .

Sender: e:jeeitunes@gmail.com

Time: 08/21/18 04:10:35 AM (556542635)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: EB97E0B5-7FA4-4178-BECD-496C6B5316BB

Message: 1. Peter Thiel in town. 2. Lets make sure you are keeping your own path on front burner. Strategy etc. 3 at the same time . Take no heat re me. Not worth it for the moment. Mid terms . Overexposure , create shooting star risks. 4. The mooch (still in contact with Ivanka) has reached out to me , and asked how he can re engage with you. ?? I ve only met him once. odd. 5/.

Sender: e:jeeitunes@gmail.com

Time: 08/21/18 04:10:59 AM (556542659)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: B7AC8477-14A2-43F2-98F7-45045FA1F1FD

Message: Like musk, your health first. Its a very long game

Sender: [redacted]

Time: 08/21/18 04:12:04 AM (556542724)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: B699ABDE-9CA3-45AE-BFAC-57B3C4BC1045

Message: Thanks

Sender: [redacted]

Time: 08/21/18 04:32:42 AM (556543962)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 88E0C336-69D5-46DE-94F2-E2B127AD659D

Message: When did mooch reach out

Sender: e:jeeitunes@gmail.com

Time: 08/21/18 04:32:53 AM (556543973)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 325797F2-D2D8-4F68-A3C5-2A7190486971

Message: Yesterday

Sender: [redacted]

Time: 08/21/18 04:33:24 AM (556544004)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 07FFA329-414C-4071-98D6-58F8EDBF32F8

Message: He is a snake.

Sender: e:jeeitunes@gmail.com

Time: 08/21/18 04:37:36 AM (556544256)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8631CEA3-9FC4-4783-8061-F9BE7E263BC1

Message: No, a snake is clever .. more like a leaky garden hose that looks like a snake □. Message : I need to make peace with Bannon can you suggest how? . He is friends with the current female owners of the core club , 50 yr old lesbians. I helped put them in biz. . Ruemmler also couldn't stomach the Betty currie trash can story

Sender: e:jeeitunes@gmail.com

Time: 08/21/18 04:38:09 AM (556544289)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3BA092D4-C67F-48BE-A4B7-770E76B7F3DD

Message: I told her his alternative was Betty currie

Sender: [redacted]

Time: 08/21/18 04:39:24 AM (556544364)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 3046413A-288F-4211-AC97-9759B63D8FE2

Message: Dude: brutal --- time in hell would be the fishbowl White House and married to Hillary

Sender: e:jeeitunes@gmail.com

Time: 08/21/18 04:43:55 AM (556544635)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 7735DF12-F1F0-4AC3-8EF7-CA48653ACCAC

Message: Worse would be married to the White House and inside Hillary

Sender: [redacted]

Time: 08/21/18 04:44:43 AM (556544683)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 1A4AB687-3C8B-43EF-B6DA-3A87D0FDE775

Message: How could a grown man live with that

Sender: e:jeeitunes@gmail.com

Time: 08/21/18 04:45:13 AM (556544713)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: A75C6A17-F947-4797-B214-1FF264F16A6C

Message: Have you seen Ivana

Sender: e:jeeitunes@gmail.com

Time: 08/21/18 04:45:53 AM (556544753)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 307D12DE-FB20-46E6-ABCB-7D0D3DB5131F

Message: Could be Hillarys older sister

Sender: [redacted]

Time: 08/21/18 04:47:09 AM (556544829)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 92BC3FC2-8776-43F0-B952-8AD6103549E4

Message: Was she a madame Claude 'associate'?

Sender: e:jeeitunes@gmail.com

Time: 08/21/18 04:47:40 AM (556544860)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 418AE53D-A499-4025-B056-05AF695FA7F6

Message: No Claude only took educated women

Sender: [redacted]

Time: 08/21/18 04:48:14 AM (556544894)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 524BDF29-6616-4CB3-B33E-97AE84163A08

Message: Ouch

Sender: e:jeeitunes@gmail.com

Time: 08/21/18 04:50:16 AM (556545016)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: FFAF339A-563E-456B-9310-26FCF33546E5

Message: They all went to accent reduction class. Taught by a guy that told great stories . Sam Chwat .

Sender: e:jeeitunes@gmail.com

Time: 08/21/18 04:50:59 AM (556545059)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 33EACFA3-366C-4955-B3F1-89C042E352AF

Message: She reported to and was protected by. French intelligence

Sender: e:jeeitunes@gmail.com

Time: 08/21/18 04:56:01 AM (556545361)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: A8A60A08-B3DF-4641-AD00-FFF2A9624E19

Message: They were not referred to as red sparrows but French swallows. An amazing intel op

Sender: [redacted]

Time: 08/21/18 04:56:07 AM (556545367)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: A3B39ED2-8807-4803-93B0-5B5FCDFF184F

Message: Love the Europeans

Sender: e:jeeitunes@gmail.com

Time: 08/21/18 11:38:00 AM (556569480)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 63BB7CC2-812C-4188-B63F-BCB37CBA7C03

Message: Cohen s arrest bad

Sender: [redacted]

Time: 08/21/18 11:43:11 AM (556569791)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: F913CB57-850B-4D81-A7D4-9D27B0FD08A9

Message: End of days

Sender: e:jeeitunes@gmail.com

Time: 08/21/18 02:34:01 PM (556580041)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 68EE462E-8E53-42D4-9823-2404B17AF70F

Message: Avenatti deco of trump moves front and center. Civil so no hiding. And now with Cohen plea. wow

Sender: e:jeeitunes@gmail.com

Time: 08/21/18 02:34:06 PM (556580046)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: BB556356-DBCE-41A8-9717-CD1EB985EC86

Message: Depo

Sender: e:jeeitunes@gmail.com

Time: 08/22/18 05:11:18 AM (556632678)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5641B7D5-F912-4647-9178-DF0BA59E57BA

Message: How do you see yesterdays developments

Sender: [redacted]

Time: 08/22/18 05:12:16 AM (556632736)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: B1403153-AB7B-4726-B7EC-1C8ACCB71E01

Message: Terrible for potus ; great for our messaging -- now we can get on with it

Sender: e:jeeitunes@gmail.com

Time: 08/22/18 05:19:21 AM (556633161)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 7D57315B-FB57-40DD-82AE-053BA3516AB9

Message: Fyi, there is a guy , totally nuts , out of jail after 20 years that has been sending letters re me to all agencies , stalking . etc. wants a billion dollars. No real threat , just one more pain.

Sender: e:jeeitunes@gmail.com

Time: 08/22/18 05:20:09 AM (556633209)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 4C13A46F-370F-48B1-93B1-3364C6389B56

Message: Steven hoffenberg, . He bought the ny daily news for 1 dollar. etc

Sender: [redacted]

Time: 08/22/18 05:20:32 AM (556633232)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 0F161925-A147-44C2-A660-F8C9FBEDA2B0

Message: ???

Sender: e:jeeitunes@gmail.com

Time: 08/22/18 05:21:22 AM (556633282)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: B4E16FAC-F5B1-49BF-8118-C601CC39D721

Message: Part of the jihad

Sender: e:jeeitunes@gmail.com

Time: 08/22/18 05:23:23 AM (556633403)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 3CD2C88A-6625-45C9-B14B-3826D2F26533

Message: Ill be in New York tonight thru sat. . no worry if you prefer to stay low . Miro in starting 28th. I think you need to thread the needle where you can support your message without appearing to be under a spell. He's transitory. You are not.

Sender: e:jeeitunes@gmail.com

Time: 08/22/18 08:11:47 AM (556643507)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 80471F79-ECCE-416C-924B-A006E2512173

Message: Im also told vice tv wants info on trump

Sender: e:jeeitunes@gmail.com

Time: 08/22/18 08:11:51 AM (556643511)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5CBD57A7-47DF-4324-B739-7730D7C43F34

Message: Form me

Sender: e:jeeitunes@gmail.com

Time: 08/22/18 08:11:55 AM (556643515)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 58BD5602-11D1-475B-8F40-EA9C5D28DFA2

Message: From

Sender: [redacted]

Time: 08/22/18 08:19:50 AM (556643990)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 15A24FA8-6B1C-4A45-9633-A64026B6BDA7

Message: My nephew runs vice tell them to fuck off

Sender: e:jeeitunes@gmail.com

Time: 08/22/18 08:21:30 AM (556644090)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: F7C16931-7F01-4BB9-A505-D786EFF1878D

Message: Tracie Morrissey matt williams. , i ignore

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 06:57:28 AM (556725448)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 9AD5BF71-F304-4CA8-951C-9FDEF9F8FFF1

Message: Btw Im in New York tonite thru sat , if you want to visit under the cover of darkness or breakfast tomorrow if you like

Sender: [redacted]

Time: 08/23/18 07:31:52 AM (556727512)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: E5D34C15-C2C9-4DFA-BE23-B658D435E98E

Message: Do u have access that's not the front door-- they have 24/7 surveillance on u

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 07:33:56 AM (556727636)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 13873EBA-4DB2-4DD2-9C34-993F60247535

Message: Im happy to come see you if better.

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 07:35:37 AM (556727737)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: B70D769A-5DC8-462B-98F1-EF493B9409DC

Message: separate from the process server that left yesterday or the early morning doorman next door. Any idea of who?

Sender: [redacted]

Time: 08/23/18 07:36:25 AM (556727785)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: FF485414-02BB-4DBC-9FC3-0B90DC47388B

Message: Don't know but real folks costing lot of coin

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 07:37:36 AM (556727856)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D653B20E-C9A4-401A-8B4A-2CDE70BC5364

Message: NFL

Sender: [redacted]

Time: 08/23/18 07:40:01 AM (556728001)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 01FD8D00-5254-4680-9B8F-A2DDDC555B1A

Message: Exactly

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 07:40:11 AM (556728011)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 28EC9080-C9C5-4884-873E-5427408855C0

Message: Can meet at 301 East 66 , if you prefer . I will send apt #

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 07:40:26 AM (556728026)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 716B69C2-A23C-4695-8DC2-96EF62BFEA2F

Message: I don't like he regency as it is totally wired

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 07:42:23 AM (556728143)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: FB5DDAC6-EC30-4D6D-83A8-F50C2D9B5FCB

Message: There is also a rear entrance on 67 , if you prefer

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 07:43:21 AM (556728201)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8EB8EA1D-8907-43DC-9A56-68073BBD174E

Message: Super secure ,

Sender: [redacted]

Time: 08/23/18 07:44:05 AM (556728245)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 8855EC7F-CC28-47BA-A260-26528F2A5595

Message: K

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 07:44:29 AM (556728269)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 6B4FEE97-611B-4B3B-BA49-975E552B5818

Message: Someone can meet you and take you in

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 07:44:56 AM (556728296)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2B9908E4-BE7B-46D2-BEB5-7A4E685A54E5

Message: Just set a time. Ill be in after 430

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 07:45:05 AM (556728305)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3CF8A701-995D-4675-9C6E-890B40FDEAE4

Message: Apt 7j

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 07:46:36 AM (556728396)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 1C10C856-1E94-4615-80BA-F3C830D050DC

Message: Im easy

Sender: [redacted]

Time: 08/23/18 07:49:00 AM (556728540)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: E8768A3B-4DC4-4B7F-8149-C79B5F08FA1B

Message: I'm in dc til 9 pm tonight

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 07:59:26 AM (556729166)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: E1B823E1-5EEB-4338-B163-AA2D2F87FB16

Message: Morning tomorrow. ? where and when your call

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 08:29:27 AM (556730967)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: ADB7561F-C9BF-4FEB-A8C5-9D81726AE5EC

Message: id, Morris concedes that American Dharma could be an uncomfortable experience for those still wrestling with the realities of the Trump era in America: "It's a kind of horror movie," says Morris. "I don't know how better to describe it." Errol Morris. Luv it

Sender: [redacted]

Time: 08/23/18 11:55:46 AM (556743346)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: EFF94DA4-FC40-4B8B-9BB5-D3B77139DCDA

Message: Luv luv luv it

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 12:40:06 PM (556746006)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 95DA15B9-8430-4FB9-80C2-F4B861168B7D

Message: Have you decided on time and place. ? Ill get food for us if its 66 st

Sender: [redacted]

Time: 08/23/18 01:04:27 PM (556747467)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: C1C3AE71-1CD3-4FEB-92C4-F5D8D7985A33

Message: Not coming to city now until Monday

Sender: [redacted]

Time: 08/23/18 01:04:41 PM (556747481)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 2341C6A9-9F51-43AD-98E5-1FA4DC09FEF3

Message: Here with WSJ guys screening film

Sender: [redacted]

Time: 08/23/18 01:04:52 PM (556747492)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: BC44E176-A142-4BCD-BED3-47D81B7AE666

Message: Can I send u a link to watch

Sender: [redacted]

Time: 08/23/18 01:04:59 PM (556747499)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: A01E9F80-33BE-4D6F-9630-7C01D5055B3F

Message: Trump@War

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 01:05:15 PM (556747515)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F6897894-6A25-4968-8620-206D4D10CA58

Message: Yes

Sender: [redacted]

Time: 08/23/18 01:11:27 PM (556747887)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 4DCF467F-23C8-44A1-8577-7C31E443EEAB

Message: Epstein

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 01:12:19 PM (556747939)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 981F4E36-B54F-4A6F-AC00-23B011F80879

Message: ?

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 01:12:44 PM (556747964)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 61F700F4-123E-428F-AD7B-55BA42AA2D7F

Message: Your girlfriend Ruemmler is coming over

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 01:13:02 PM (556747982)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 06962658-5D5A-4234-967A-C6BDCBF705E8

Message: I wont share it unless you think ok

Sender: [redacted]

Time: 08/23/18 01:14:41 PM (556748081)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: BD6027ED-6CD4-4F99-AF79-A07D41078AE9

Message: Let her watch

Sender: [redacted]

Time: 08/23/18 01:15:01 PM (556748101)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 6C1A6C37-DC2F-4DFA-9F0F-2626A76DCF2E

Message: It's x rated for violence and language now

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 01:24:01 PM (556748641)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C9991C93-7F4E-4490-8982-D1BB9A5431A8

Message: Great

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 01:24:40 PM (556748680)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 949CF742-F862-479F-98A5-844FA19EAD29

Message: Are you sending a link?

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 01:26:03 PM (556748763)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F70038ED-0614-42F5-B4A1-6208C90F7EC9

Message: Also think about a private screening of dharma for the power players.

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 01:26:37 PM (556748797)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5B75B545-C163-46CF-890A-E7827B52720A

Message: New York and or Europe. Non of my fingerprints

Sender: [redacted]

Time: 08/23/18 01:40:38 PM (556749638)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: B46D74C5-51A4-4695-B984-5D8E4D638904

Message: Yes : or come as my guest when it opens the New York Film Festival @ Alice Tulley Hall on 29 Sept

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 01:42:39 PM (556749759)

Flags: 1048581

Is Read: No

Is Invitation: No

GUID: 7E9573B3-091F-4C67-BAF2-E4C159976AAA

Message: thx. I think a private screening room with you answering questions . Might be good for you. You decide. Miro will be in New York next week. I won't be but can organize for you. Im off to Paris on the 2nd

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 02:00:13 PM (556750813)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 686AF584-732D-46FE-9E85-1B6576B06DC5

Message: Pecker immunity one more drop

Sender: [redacted]

Time: 08/23/18 02:00:28 PM (556750828)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 9CF0A544-2D89-47FE-A8B1-21DCC986C4B7

Message: Huge event huge

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 02:01:01 PM (556750861)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: FA133CEA-DD66-45D6-832E-059911AF12CC

Message: Kids

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 02:01:47 PM (556750907)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F32398CB-445C-4487-98A6-1444C7409684

Message: Next

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 02:02:38 PM (556750958)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: BFE02CAD-7442-47F5-84D9-B7A23B239049

Message: Nice juxtaposition while watching your movie

Sender: [redacted]

Time: 08/23/18 02:03:46 PM (556751026)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 799535CA-718C-4779-B35A-156B2E2F66AF

Message: More women payoffs coming

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 02:34:20 PM (556752860)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F56D8CA3-4821-4FED-BA53-928B981C3059

Message: You are dark not evil. So I think even you will be surprised

Sender: [redacted]

Time: 08/23/18 02:40:40 PM (556753240)

Flags: 1052673

Is Read: No

Is Invitation: No

GUID: 1761FCBB-A344-40B8-93A4-C592B1079F98

Message: Wow

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 03:04:47 PM (556754687)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 77EFE19B-B29E-47D3-B51A-EA9707C4127F

Message: your girlfriend is outraged. . I suggested to her he pardon everyone, say this is not good for the country , and then fake the heart attack.

Sender: e:jeeitunes@gmail.com

Time: 08/23/18 03:06:01 PM (556754761)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5ADFB9A2-72D7-478F-BB4A-D2EB73C74074

Message: she said it is a failure to disclose charge. and his changing stories lead to knowledge of wrongdoing . only transmitting.

Sender: [redacted]

Time: 08/23/18 03:07:01 PM (556754821)

Flags: 1052673

Is Read: No

Is Invitation: No

GUID: DEE799BA-119C-46F4-ACB2-5F3B9BB7EB7A

Message: Lmao

Source Entry: H\Macintosh HD\root\Users\jee\Library\Messages\Archive\2018-09-03\[redacted] on 2018-08-25 at 07.31.18.ichat

Service: iMessage

Start Time: 08/25/18 04:31:18 AM (556889478)

End Time: 09/03/18 02:34:55 PM (557703295)

Last Message ID: 19748

Chat Room:

Participants: jee, [redacted]

Presentity IDs: e:jeeitunes@gmail.com, [redacted]

Messages -

Sender: [redacted]

Time: 08/25/18 04:31:18 AM (556889478)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: DF08648F-B88A-4C1A-BABC-D542363C0E9B

Message: They are the intervention !!!

Sender: e:jeeitunes@gmail.com

Time: 08/25/18 04:38:55 AM (556889935)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D41860B9-E1F9-4352-81F3-70E4BD65311B

Message: no , serious group all realize crisis. - and worried. and understand players.

Sender: [redacted]

Time: 08/25/18 04:39:13 AM (556889953)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 7D0B69C5-2F81-4430-84C5-102DE0B01BDB

Message: Smart

Sender: e:jeeitunes@gmail.com

Time: 08/25/18 04:45:55 AM (556890355)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: B63D0838-DD9A-4245-A078-97BE9AE6CD22

Message: it includes the guys he talks to normallly , but as usual he doesn't realize

they also talk to each other . so saying one thing to one and then another thing to ... / motivation Im told " yes it has good for us but bad for the country ". Brennans description of drunk with power. seems apt

Sender: e:jeeitunes@gmail.com

Time: 08/25/18 04:50:04 AM (556890604)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8966DD26-0094-4FA7-AC59-0620A90033A0

Message: He believes he is smarter than all of them combined. that is the issue. unfortunately he might be right

Sender: [redacted]

Time: 08/25/18 04:51:37 AM (556890697)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: ECF7604A-FE41-4494-83D4-8B8A6D104CD2

Message: He is -- and he is stilll a moron---lefrac, Roth etc etc all 3rd rate -- he will never listen to that crew

Sender: e:jeeitunes@gmail.com

Time: 08/25/18 04:52:53 AM (556890773)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 6DCAAD65-01DE-4850-B093-3A7242757530

Message: agreed. and that is the reason he fears you.

Sender: [redacted]

Time: 08/25/18 04:53:40 AM (556890820)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: BD0DD3A0-343C-4FAD-B33A-A8935941A6E6

Message: Yep

Sender: e:jeeitunes@gmail.com

Time: 08/25/18 09:21:07 AM (556906867)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 4046313B-0C6F-46E3-9742-B039F3CEC4E0

Message: any thought on who he might at least listen to seriously.? ken starr? kissinger? hannity

Sender: [redacted]

Time: 08/25/18 11:00:00 AM (556912800)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 0FD766F0-C0C9-4A72-A173-8A8D2FDF0800

Message: Barrack ?

Sender: e:jeeitunes@gmail.com

Time: 08/25/18 11:01:48 AM (556912908)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 86111374-9C64-40DF-B411-88350B4C8647

Message: nope , can't like you barrack called him crazy , in the dog house ever since and . . rick gates

Sender: [redacted]

Time: 08/25/18 12:00:21 PM (556916421)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 078F39EF-76BD-4A20-8EAA-A3B467B2311C

Message: Gates

Sender: [redacted]

Time: 08/25/18 12:00:24 PM (556916424)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 4F3C0242-BC8E-4FA7-AA35-81C1D05CC287

Message: Bad

Sender: e:jeeitunes@gmail.com

Time: 08/25/18 04:15:24 PM (556931724)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 26C4AB93-4273-40FE-8F57-A4DFEB62CC4F

Message: For tom very

Sender: e:jeeitunes@gmail.com

Time: 08/25/18 06:37:49 PM (556940269)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 048032D3-EBFD-4E9A-AB3C-92EC7D734466

Message: can bill shine get through to him

Sender: [redacted]

Time: 08/25/18 08:26:23 PM (556946783)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 313AF57B-0239-48AE-A61D-06BC87CA5A2C

Message: Zero

Sender: [redacted]

Time: 08/25/18 08:26:28 PM (556946788)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 7ACD7755-E9E3-4D67-9877-6F1775746907

Message: Hannity maybe

Sender: e:jeeitunes@gmail.com

Time: 08/26/18 03:49:52 AM (556973392)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 513913DF-1E13-4AFD-BA80-A487C33A8B7D

Message: Wow, what did you think of the morris ny times interval

Sender: e:jeeitunes@gmail.com

Time: 08/26/18 03:49:56 AM (556973396)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D664BC0D-4DBF-46EB-B44E-2CB4CC76228D

Message: Interview

Sender: [redacted]

Time: 08/26/18 05:02:37 AM (556977757)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 217FED00-C85C-408B-AFB8-DD9DA5847647

Message: Trying to protect himself from outrage when film comes out-- what did u think??

Sender: e:jeeitunes@gmail.com

Time: 08/26/18 05:07:54 AM (556978074)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: DB1307DE-08D4-45EA-9FBA-8407B813D33D

Message: I thought it provided an explanation for the gratuitous " fuck you if you if want clean water " comment. I trust none of them .

Sender: e:jeeitunes@gmail.com

Time: 08/26/18 05:08:09 AM (556978089)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: CA163C42-9D35-4A26-9E0E-505708325108

Message: NONE

Sender: [redacted]

Time: 08/26/18 05:10:49 AM (556978249)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: B39D68FE-D91B-4C98-B26D-D5FBB1F389FD

Message: How do u think it will be read -- this film is already causing massive controversy behind the scenes because of the slots in Venice and New York -- it's the Saturday night film in Alice Tulley

Sender: e:jeeitunes@gmail.com

Time: 08/26/18 05:16:26 AM (556978586)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: EC217302-4309-440B-B1A0-D8B742BEC374

Message: 1. The better question, I believe , is how will it play out for you. (not my skill set however).an that Is wholly dependent on context. What is happening at the time and after re trump Not to re - channel your dearly departed mother, but --- take care of you first.

Sender: e:jeeitunes@gmail.com

Time: 08/26/18 05:17:51 AM (556978671)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0058244D-E167-4F85-A2BC-4B0D0BBCBC12

Message: Nobody else will /

Sender: [redacted]

Time: 08/26/18 05:31:45 AM (556979505)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 6D6BA239-7F3E-4772-A87A-8CC568C7A7FD

Message: roger

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 02:51:45 AM (557056305)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 579FD951-229F-4C6C-8159-EBB76BAF40BD

Message: Who is in your cabinet Hannity . Nunn .? burke. . ? fill it out?

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 03:48:45 AM (557059725)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 608E5D60-4107-4C1F-AFC7-CF6D6B1C927F

Message: https://www.youtube.com/watch?v=9OCOn3yKmwQ&t=1659s

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 03:48:45 AM (557059725)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 29631408-3E89-4202-96F4-4F209B77F6C5

Message: . From 1:00. Hour in

Sender: [redacted]

Time: 08/27/18 03:55:05 AM (557060105)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: BFE24638-C2C6-4DF1-9F5C-76F38A3F7694

Message: 1.Defense : Pompeo ; 2.state: Meadows ; 3. treasury : Thornton ; 4. CIA: Cotton ; 5. NSC: Harvey ; 6. UN: Tulsi Gabbard ; 7. DNI: Admiral Harris; 8. Labor : Henry Olson ; 9. HHS: pinkerton ; 10. HUD: McNamara; 11.VA: Gov Perry ; 12. AG: Sen Heilcamp ; 13.NEC:Peter Navarro ; 14. Engy:Washburn ; 15. Justice: Bill Burck ;

Sender: [redacted]

Time: 08/27/18 03:55:31 AM (557060131)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 48148605-29AB-46FE-A583-656C45C7AE9C

Message: ???

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 03:56:35 AM (557060195)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: A149C8DF-8F52-4E70-A93C-C03A97982F8F

Message: It was Nixons frost interview. great. - I meant your personal advisory council that wants Steve to succeed. Sorry . My short emails are often confusing.

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 04:04:04 AM (557060644)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: B1BF6B91-EFA6-402A-97AE-E418001E54CE

Message: Im confident burke will protect you as much as he can legally . We have a deep bench in that regard. When and if they get Matt calamari . If they haven't already . Things will get uglier. . my responsibility as a friend is to wave a yellow flag. When appropriate And provide a sounding board as needed. □

Sender: [redacted]

Time: 08/27/18 04:06:15 AM (557060775)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: FF84C0B9-DBAC-4A1E-9BF7-E8F1902D13C9

Message: Yes yes yes

Sender: [redacted]

Time: 08/27/18 04:06:30 AM (557060790)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 7914B30B-589C-40D6-9A66-F60E683F05B8

Message: And u r dead spot on re calamari

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 04:07:02 AM (557060822)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 45615207-F711-4FD6-A359-70AB859D5AD0

Message: And or Rona

Sender: [redacted]

Time: 08/27/18 04:08:52 AM (557060932)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 74889A72-BD47-4457-97DB-6E0BB14A9B91

Message: She has been in

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 04:09:17 AM (557060957)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 66706951-B955-4354-A6E0-F5E2091F16A8

Message: Yes, I know, but I don't know if she took 5

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 04:09:48 AM (557060988)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E61E9580-160C-4AF6-888F-85B3D4F4758B

Message: And both will be brought to the state proceeding.

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 04:09:59 AM (557060999)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 05E79D20-8A82-482B-B64C-6AE9A74FC3BD

Message: And thats an uh oh

Sender: [redacted]

Time: 08/27/18 04:12:01 AM (557061121)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: AB6EDF5E-81AF-4FB3-B3D2-3B53979AFF57

Message: Things are looking very bad for the home team now

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 04:12:02 AM (557061122)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E4D2A8CD-C25D-413F-AB7C-CFB1D7B702A3

Message: And Nixon says that if he wanted to cover the whole thing up. He would have given clemency to all. At 113

Sender: [redacted]

Time: 08/27/18 04:12:39 AM (557061159)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: CDDF96A0-9871-4C0B-8CD5-A8C8F43F0EE7

Message: What does that mean ??

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 04:13:07 AM (557061187)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C74190D4-D998-48CE-BA6C-295DA75F8007

Message: I sent you the you tube link. To watch. Its amazing

Sender: [redacted]

Time: 08/27/18 04:13:25 AM (557061205)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E7785BFC-DB75-4885-B396-DB4E3B15103E

Message: Roger

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 04:15:58 AM (557061358)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 33707FF0-3DD8-4A7C-9061-2360ECBCD1C5

Message: i have watched it 3 times.

Sender: [redacted]

Time: 08/27/18 04:16:25 AM (557061385)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: F7C96F10-B3A4-43C9-8404-783B1396ABD9

Message: Dark attracted to dark

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 04:16:33 AM (557061393)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 33A2FB81-E9AE-429F-A4FE-9625A3A56B1C

Message: Hahaa

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 05:23:02 AM (557065382)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F2CA8BD4-54EE-4DC7-BF28-CBCF720CE91F

Message: Btw hes panic re who can he speak to that wont flip

Sender: [redacted]

Time: 08/27/18 05:38:18 AM (557066298)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 69551F7D-A2E4-4AA0-8157-FA844505C699

Message: Yes

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 06:00:42 AM (557067642)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 83E9B97D-EF63-4ACC-9425-F28EA6C2867E

Message: Miro in ny

Sender: [redacted]

Time: 08/27/18 06:07:28 AM (557068048)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 7A1911F4-19F2-43A9-8C8B-B3D47B813C04

Message: How long?

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 06:07:50 AM (557068070)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 0119C699-65B5-44AD-BFA6-B96B5221B2B3

Message: I'll check

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 11:06:19 AM (557085979)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3309EEF6-5996-4A06-8DDF-9DD0DD3EB8F0

Message: Where will you be for Labor Day weekend?

Sender: [redacted]

Time: 08/27/18 11:08:01 AM (557086081)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: CBD5B3D2-E750-49A7-80FF-A07184C42AFF

Message: Don't know yet

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 11:09:10 AM (557086150)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 4BDCB775-46EA-4F34-9A0F-12FEE2827055

Message: Miro around until fr night. Then back tues. Ill probably come to New York mon and leave wed. For Europe. Will be in palm beach if you and ... would like to visit

Sender: [redacted]

Time: 08/27/18 11:12:43 AM (557086363)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: EDC9A879-11CE-40AA-B0D6-EEC6465039CD

Message: K

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 12:57:04 PM (557092624)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 88FA98A7-6BBD-4860-B2FA-614F3F879954

Message: Miro is coming to palm beach

Sender: [redacted]

Time: 08/27/18 01:05:42 PM (557093142)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 8F7ECF57-0928-47BA-8079-34A63C7E9475

Message: Smart

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 01:06:20 PM (557093180)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 3FACD6F3-10C6-4539-B6E4-AA8510ABCB65

Message: Come for even the day, totally private. he you and I can strategize

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 02:54:42 PM (557099682)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 199E5523-50A5-456B-8376-E67C0702982D

Message: Not sure what your schedule. Re Venice 4 th. Deplorable 9th? Etc

Sender: [redacted]

Time: 08/27/18 03:02:00 PM (557100120)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: AD602A14-3AA8-463C-976B-819745E55E20

Message: Working everything out

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 04:28:09 PM (557105289)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2DEAD3D5-901C-45F6-9484-DF965EAAF503

Message: I m happy to send a plane to pick you up in wash and bring you down to me and micro.

Sender: e:jeeitunes@gmail.com

Time: 08/27/18 04:28:11 PM (557105291)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 08A1800E-AA23-4FD9-973A-656BEB2FEE34

Message: miro

Sender: [redacted]

Time: 08/27/18 04:33:17 PM (557105597)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 005ABDA7-6353-4B55-AF9A-40AFE4B33916

Message: K

Sender: e:jeeitunes@gmail.com

Time: 08/28/18 11:15:38 AM (557172938)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: F439FF65-9666-4431-B288-EB822DF8282D

Message: he's around until the 17th . but gone sat till tues. not sure when you are going to europe. Ill go on the 5th now.

Sender: e:jeeitunes@gmail.com

Time: 08/28/18 11:36:08 AM (557174168)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: B78FACF3-A110-4AF8-A93D-40BF6F950456

Message: mr evil willing to meet you in europe , I don't need to be ther

Sender: e:jeeitunes@gmail.com

Time: 08/29/18 08:41:31 AM (557250091)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 136F0E65-6D3B-49B4-8B62-C0F30566712C

Message: I hope you get a vote into mcgahns replacement

Sender: e:jeeitunes@gmail.com

Time: 08/29/18 08:42:12 AM (557250132)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8A8F81DE-6AD7-43A2-88F9-0DC5FF0A9DE9

Message: they will be your first line of defense if the house flips

Sender: [redacted]

Time: 08/29/18 01:10:54 PM (557266254)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: CEF8EDCF-402B-43FC-B3ED-64952E26AA54

Message: Emmett

Sender: e:jeeitunes@gmail.com

Time: 08/29/18 03:38:15 PM (557275095)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: FDDEA169-A846-4823-9D12-1CF02BE140CE

Message: you ok?

Sender: [redacted]

Time: 08/29/18 03:38:51 PM (557275131)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E0A36927-C690-410C-B5DB-73004E2E9DF2

Message: Yes just the most swamped I've ever been

Sender: e:jeeitunes@gmail.com

Time: 08/29/18 03:39:01 PM (557275141)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: AFD1F890-A719-4530-868A-E5CB82E1AC6F

Message: ok

Sender: e:jeeitunes@gmail.com

Time: 08/29/18 04:11:50 PM (557277110)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 2939551B-3CCB-4CB3-A5E9-8475C96C723F

Message: Im going to New York on Monday to sit with miro

Sender: [redacted]

Time: 08/29/18 04:44:24 PM (557279064)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 111F9FB2-452C-480B-9EC6-E475C0615DF5

Message: Is miro in NYC ???

Sender: e:jeeitunes@gmail.com

Time: 08/29/18 04:44:42 PM (557279082)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 01E63937-C378-4130-8881-CC36310A43A7

Message: Im texting with him now

Sender: e:jeeitunes@gmail.com

Time: 08/29/18 04:45:04 PM (557279104)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: FF4CC3B5-F12D-4DC7-81C0-4001CA98781F

Message: He and I will meet Monday you are of course welcome

Sender: e:jeeitunes@gmail.com

Time: 08/29/18 04:45:42 PM (557279142)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: DF6A2E1D-9704-42E5-A65B-6258218EB7B1

Message: Im on 561 655 7626. If you want to chat ?

Sender: e:jeeitunes@gmail.com

Time: 08/29/18 05:17:12 PM (557281032)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: BEA9A70F-278F-42FC-986D-CC2B98347219

Message: Feel free to contact him directly

Sender: e:jeeitunes@gmail.com

Time: 08/29/18 07:14:34 PM (557288074)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 29B269E2-896C-492D-AEEB-6D6CB6F6E968

Message: Spoke to my china guys , they said china stronger , plays weakened. Strife art of war etc. Said all the players are xi loyalists. Main complaint is there is no counterparty in us , either no one home or new to the game.

Sender: [redacted]

Time: 08/29/18 07:25:09 PM (557288709)

Flags: 1126401

Is Read: Yes

Is Invitation: No

GUID: B01F209F-C9D2-436C-BC9C-A927587A2C21

Message: They said china stronger today than when we started?

Sender: e:jeeitunes@gmail.com

Time: 08/29/18 07:30:30 PM (557289030)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 7CB8CF07-DFFA-4648-905A-DDCE0A5585D7

Message: Need to define "started." . North Korea? Stronger ties. . Africa , stronger. , buying strategic minerals. One belt one road. Ports logistics. Eventually turning them military . . tariffs a non event

Sender: e:jeeitunes@gmail.com

Time: 08/29/18 07:32:04 PM (557289124)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 593C2062-BEAC-49BE-9AFF-77157D6E054D

Message: And as stability is the major goal they look here and see infighting. Instability, weakness and empty chairs

Sender: e:jeeitunes@gmail.com

Time: 08/29/18 07:33:09 PM (557289189)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: CBC8273E-F10A-4E21-A075-1ECED79114F8

Message: Happy to move in anywhere , that we have pulled out

Sender: e:jeeitunes@gmail.com

Time: 08/29/18 07:33:56 PM (557289236)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 31EB84EE-F6E6-43F6-8104-324460E9B2BB

Message: Cancelled Bloomberg as a show of go fuck yourself . Hold it in Singapore or Malaysia .

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 05:12:23 AM (557323943)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D830152F-B899-4993-A24B-40A3BD77F97E

Message: Its a long game. BREATHE

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 05:54:20 AM (557326460)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E72FBF5F-2822-4633-A0CE-B08A45A68AD8

Message: BTW. Contrary to cnbc report I am not advising Elon musk . And I told them so . but.... He did cry on the interview with the times

Sender: [redacted]

Time: 08/30/18 05:54:57 AM (557326497)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 18A97BE0-32A4-4D5E-8A57-C670CE592126

Message: Was I a tad too harsh ?

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 05:56:02 AM (557326562)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 7D879991-478A-4FCD-93CB-06A81F20E3C5

Message: No , I like man child. Doesn't have the same connotation as evil sociopaths
□

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 05:56:55 AM (557326615)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: FE0E39D3-48F4-4C64-9C29-4831A0BECE78

Message: They share you dislike of the administrative state

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 05:56:59 AM (557326619)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 49072923-7E14-43C9-B25D-BF2FE1274D6B

Message: your

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 05:57:40 AM (557326660)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F2EB9D62-3931-405D-AAB8-180F5F595FFA

Message: Did you connect with miro

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 05:57:43 AM (557326663)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8D3E14D5-3771-4D40-9AA2-0045788F0FEC

Message: ?

Sender: [redacted]

Time: 08/30/18 05:58:03 AM (557326683)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 00D9E5A7-8E11-49CA-81A6-B6DE01AF8EFF

Message: Haven't connected

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 05:58:12 AM (557326692)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: E7CA3E53-3556-4FB9-875C-00427B412B93

Message: Are you around Monday ?

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 05:58:16 AM (557326696)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: AC86EDFE-8903-4C4B-81EF-2B94EB2B5468

Message: ny

Sender: [redacted]

Time: 08/30/18 05:59:00 AM (557326740)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: D83ACD9B-90B3-43E6-AD2D-5AC3EE08C5FB

Message: Venice

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 05:59:05 AM (557326745)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: A15EB0C2-C529-4564-9302-ABEF542BA3A7

Message: K

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 05:59:39 AM (557326779)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 99E00B7B-9EA8-4042-833B-99E3F922364D

Message: Tuxedo with two black shirts

Sender: [redacted]

Time: 08/30/18 06:00:28 AM (557326828)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: B3015049-9F8B-4731-8532-B663AF12BB1F

Message: Not attending premier-- media screening the day before and all press functions including press conference

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 08:03:03 AM (557334183)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: B2D36870-4328-47D6-9557-7627C4729306

Message: Btw. Argentina next to collapse

Sender: [redacted]

Time: 08/30/18 08:13:08 AM (557334788)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 64BF837C-6122-4C34-9A5C-896F809D1196

Message: Need a populist

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 08:13:20 AM (557334800)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: D3AECA63-918A-43D1-B504-C726502B98CC

Message: ripe

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 08:14:04 AM (557334844)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 6F99FC5C-F11C-452E-B542-4CC9402DC036

Message: Whole South America Brazil Venezuela Argentina. Don't know why they are so dirty given the fact that there are so many maids

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 08:14:58 AM (557334898)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 6AAFE5F8-E07A-48AE-93F1-ABA2F8499B5D

Message: soon to be the best investment of a lifetime

Sender: [redacted]

Time: 08/30/18 08:15:09 AM (557334909)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 2EC971E9-426B-4188-BE22-A1FEBFCEC52E

Message: Brazilian parartrooper my man

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 08:15:13 AM (557334913)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 2FC018A1-0160-4E77-93F3-A91EC47D86CC

Message: Venezuela. More oil reserves than Saudi

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 08:15:35 AM (557334935)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: E2D06A5C-F4F9-41A4-92FC-7C55E78758A4

Message: sooo. predictable

Sender: [redacted]

Time: 08/30/18 08:16:57 AM (557335017)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: AA784FE7-5A3C-4FB7-8B70-4440F8B03BC3

Message: I'm meeting Cisneros when I get back from Venice

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 08:17:49 AM (557335069)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8C9D59F5-1876-4B45-AE3E-D694C7362BB2

Message: Im trying to make the patch. The two pens. . not sure if red and black are too much

Sender: e:jeeitunes@gmail.com

Time: 08/30/18 12:56:10 PM (557351770)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: DD4D7C37-A1CB-47BD-AF7A-BABCBC276FA8

Message: Do you think you will get time to meet leaders un Europe before nov. or head down here before then

Sender: [redacted]

Time: 08/30/18 12:58:13 PM (557351893)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 6B271355-26E3-44B4-B772-C0EB2788FC2B

Message: Yes

Sender: e:jeeitunes@gmail.com

Time: 08/31/18 01:23:26 AM (557396606)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 7A865918-6EEF-46C1-9806-469D5FCC2E2C

Message: If possible lets talk re miro

Sender: [redacted]

Time: 08/31/18 02:17:59 AM (557399879)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 73DD9FB8-D029-433D-AF93-A3CCB56132B1

Message: K

Sender: e:jeeitunes@gmail.com

Time: 08/31/18 03:29:00 AM (557404140)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 4896F7EB-10E2-48F6-ABA4-F0CCE7EF3702

Message: 561 655 7626

Sender: e:jeeitunes@gmail.com

Time: 08/31/18 05:24:24 AM (557411064)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: AA36BE72-AC0A-417C-9038-156FCE13B74C

Message: 1 646 421 0715. miro expecting your call

Sender: e:jeeitunes@gmail.com

Time: 08/31/18 05:26:51 AM (557411211)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 5303444D-C83F-46D8-AB95-E6AAA6AF588B

Message: And you want to be in New York week fo 24. Th. Everyone Europe will be at house

Sender: [redacted]

Time: 08/31/18 06:03:26 AM (557413406)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: B1860EFF-F4D5-4807-B2BB-000FC8527750

Message: roger

Sender: e:jeeitunes@gmail.com

Time: 08/31/18 08:41:35 AM (557422895)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: C673AD21-40DF-4261-8764-2FF9A4A10169

Message: Miro waiting

Sender: [redacted]

Time: 08/31/18 11:47:47 AM (557434067)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 32BEA516-311A-4038-9801-3FE1B3549D0A

Message: Called

Sender: e:jeeitunes@gmail.com

Time: 08/31/18 11:49:14 AM (557434154)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 1881A70B-1097-442F-BDF7-BF8C0D281212

Message: Did you get him

Sender: [redacted]

Time: 08/31/18 11:52:12 AM (557434332)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 3AAA0080-DF86-411F-A80A-08D58966D4DA

Message: vm

Sender: e:jeeitunes@gmail.com

Time: 08/31/18 11:54:51 AM (557434491)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: A8974748-3401-4004-9DEF-CB28D1E3700E

Message: 13109906526

Sender: e:jeeitunes@gmail.com

Time: 08/31/18 11:54:56 AM (557434496)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 07102701-E1FE-4404-A6DF-615CD7007B84

Message: ?

Sender: e:jeeitunes@gmail.com

Time: 08/31/18 11:55:07 AM (557434507)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 18CFBFA5-CA5D-423C-9C5D-6A5F979DC14B

Message: Can I give

Sender: [redacted]

Time: 08/31/18 11:55:22 AM (557434522)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 7EE97066-7FAC-4FF6-85E7-200B88AE411D

Message: Certainly

Sender: e:jeeitunes@gmail.com

Time: 08/31/18 02:32:32 PM (557443952)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 752272B0-C712-4940-9912-3C3B8DCB0C81

Message: Miro?

Sender: [redacted]

Time: 08/31/18 02:33:36 PM (557444016)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: F03AEF4A-1F42-4633-8DCC-22FD8D6450F7

Message: Swapping calls

Sender: e:jeeitunes@gmail.com

Time: 08/31/18 02:34:20 PM (557444060)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: FCBA2F20-D1AD-49DB-87E4-86E4294E345A

Message: Is patten flipping meaningful?

Sender: e:jeeitunes@gmail.com

Time: 08/31/18 02:35:13 PM (557444113)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 9A88A322-3284-47F8-BB03-2A2577EBD88C

Message: They all connect to tom barrack, oy

Sender: e:jeeitunes@gmail.com

Time: 08/31/18 02:36:08 PM (557444168)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: F620B133-F3B2-45AF-A92F-D62359C4CB45

Message: How was mara lago north?

Sender: e:jeeitunes@gmail.com

Time: 08/31/18 02:36:16 PM (557444176)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 8F677750-A1D4-48D3-AA18-232384127927

Message: Yech

Sender: [redacted]

Time: 08/31/18 02:36:18 PM (557444178)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: E538C9A2-AAD4-4330-A95F-F3101B1B3DBC

Message: Grundoon ; very nice guy , wealthy family ; deeper into manafort than he ever told anybody-- hates trump

Sender: e:jeeitunes@gmail.com

Time: 09/01/18 05:12:19 AM (557496739)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 36E18DD1-E8C0-4849-A819-7B7768149774

Message: https://www.businessinsider.com/orrin-hatch-wants-federal-trade-commision-investigate-google-2018-8

Sender: [redacted]

Time: 09/01/18 05:16:30 AM (557496990)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 8A5E27E4-F02C-4D82-942C-8885D04A1093

Message: Yep ; it Begins

Sender: e:jeeitunes@gmail.com

Time: 09/02/18 06:01:50 AM (557586110)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 84E60201-A866-44B6-8F23-72E46620027A

Message: Travel safe

Sender: [redacted]

Time: 09/02/18 07:35:33 AM (557591733)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 4A2AA978-DC4B-4CC6-B656-F3ED06CAA4BB

Message: Here

Sender: e:jeeitunes@gmail.com

Time: 09/02/18 08:06:56 AM (557593616)

Flags: 1150981

Is Read: No

Is Invitation: No

GUID: 3A80ED51-E190-4708-A145-748DB1FAFAD2

Message: Im in New York tomorrow . Where is "here @

Sender: e:jeeitunes@gmail.com

Time: 09/02/18 08:07:01 AM (557593621)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 1A24046F-17F7-4E5B-998A-14C90F3C00A3

Message: "

Sender: [redacted]

Time: 09/02/18 08:07:16 AM (557593636)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 132060EB-EACE-487B-B9A8-7169E61201F5

Message: Venice

Sender: e:jeeitunes@gmail.com

Time: 09/02/18 08:07:24 AM (557593644)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: A4C177EF-21C9-4961-8E71-B3B8039E03C3

Message: Great

Sender: e:jeeitunes@gmail.com

Time: 09/02/18 01:59:18 PM (557614758)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: CD4CF687-8263-4785-BC1F-C3209FEE772D

Message: Hows it going

Sender: [redacted]

Time: 09/03/18 01:49:46 AM (557657386)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: EAAAE69F-86BA-413D-B48D-BA84E3FB8CE2

Message: Epic

Sender: [redacted]

Time: 09/03/18 02:02:30 AM (557658150)

Flags: 1060865

Is Read: Yes

Is Invitation: No

GUID: 43D83383-BED8-48AB-A718-8ABFEB47483E

Message: Just sent u CNN piece

Sender: e:jeeitunes@gmail.com

Time: 09/03/18 02:32:38 PM (557703158)

Flags: 1048581

Is Read: No

Is Invitation: No

GUID: CEBFB459-F0AA-4D2C-AE8F-083F3D00396E

Message: Fun??

Sender: e:jeeitunes@gmail.com

Time: 09/03/18 02:32:47 PM (557703167)

Flags: 1048581

Is Read: No

Is Invitation: No

GUID: 5E872FAE-D16E-4830-8190-F09C69D5CAFD

Message: Fun

Sender: e:jeeitunes@gmail.com

Time: 09/03/18 02:34:52 PM (557703292)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 74301BCA-D0B7-4AC4-80BD-0F39D2C40943

Message: Fun

Sender: e:jeeitunes@gmail.com

Time: 09/03/18 02:34:55 PM (557703295)

Flags: 1085445

Is Read: No

Is Invitation: No

GUID: 1BB5DBEC-4B84-42D5-90B9-B9C5F936C90B

Message: ?

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Economic Research:

How Increasing Income Inequality Is Dampening U.S. Economic Growth, And Possible Ways To Change The Tide

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Economic Research:

How Increasing Income Inequality Is Dampening U.S. Economic Growth, And Possible Ways To Change The Tide

The topic of income inequality and its effects has been the subject of countless analysis stretching back generations and crossing geopolitical boundaries. Despite the tendency to speak about this issue in moral terms, the central questions are economic ones: Would the U.S. economy be better off with a narrower income gap? And, if an unequal distribution of income hinders growth, which solutions could do more harm than good, and which could make the economic pie bigger for all?

Given the decades--indeed, centuries--of debate on this subject, it comes as no surprise that the answers are complex. A degree of inequality is to be expected in any market economy. It can keep the economy functioning effectively, incentivizing investment and expansion--but too much inequality can undermine growth.

Higher levels of income inequality increase political pressures, discouraging trade, investment, and hiring. Keynes first showed that income inequality can lead affluent households (Americans included) to increase savings and decrease consumption (1), while those with less means increase consumer borrowing to sustain consumption…until those options run out. When these imbalances can no longer be sustained, we see a boom/bust cycle such as the one that culminated in the Great Recession (2).

Aside from the extreme economic swings, such income imbalances tend to dampen social mobility and produce a less-educated workforce that can't compete in a changing global economy. This diminishes future income prospects and potential long-term growth, becoming entrenched as political repercussions extend the problems.

Alternatively, if we added another year of education to the American workforce from 2014 to 2019, in line with education levels increasing at the rate of educational achievement seen from 1960 to 1965, U.S. potential GDP would likely be $525 billion, or 2.4% higher in five years, than in the baseline. If education levels were increasing at the rate they were 15 years ago, the level of potential GDP would be 1%, or $185 billion higher in five years.

Our review of the data, as well as a wealth of research on this matter, leads us to conclude that the current level of income inequality in the U.S. is dampening GDP growth, at a time when the world's biggest economy is struggling to recover from the Great Recession and the government is in need of funds to support an aging population.

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Overview

- At extreme levels, income inequality can harm sustained economic growth over long periods. The U.S. is approaching that threshold.
- Standard & Poor's sees extreme income inequality as a drag on long-run economic growth. We've reduced our 10-year U.S. growth forecast to a 2.5% rate. We expected 2.8% five years ago.
- With wages of a college graduate double that of a high school graduate, increasing educational attainment is an effective way to bring income inequality back to healthy levels.
- It also helps the U.S economy. Over the next five years, if the American workforce completed just one more year of school, the resulting productivity gains could add about $525 billion, or 2.4%, to the level of GDP, relative to the baseline.
- A cautious approach to reducing inequality would benefit the economy, but extreme policy measures could backfire.

We see a narrowing of the current income gap as beneficial to the economy. In addition to strengthening the quality of economic expansions, bringing levels of income inequality under control would improve U.S. economic resilience in the face of potential risks to growth. From a consumer perspective, benefits would extend across income levels, boosting purchasing power among those in the middle and lower levels of the pay scale--while the richest Americans would enjoy increased spending power in a sustained economic expansion. Policymakers should take care, however, to avoid policies and practices that are either too heavy handed or foster an unchecked widening of the wealth gap. Extreme approaches on either side would stunt GDP growth and lead to shorter, more fragile expansionary periods.

Is Income Inequality Increasing?

Several institutions, including the Organisation for Economic Co-operation and Development (OECD), the Congressional Budget Office (CBO), and the International Monetary Fund (IMF), have published studies showing that income inequality has been increasing for the past several decades (3). According to a 2011 review by the OECD, the average income of the richest 10% of the population is nine times that of the poorest 10%--in other words, a ratio of 9-to-1. The U.S. ratio is much higher, at 14-to-1 (4). The U.S. Gini coefficient, after taxes, has increased by more than 20% from 1979--to 0.434 in 2010 (see chart 1).

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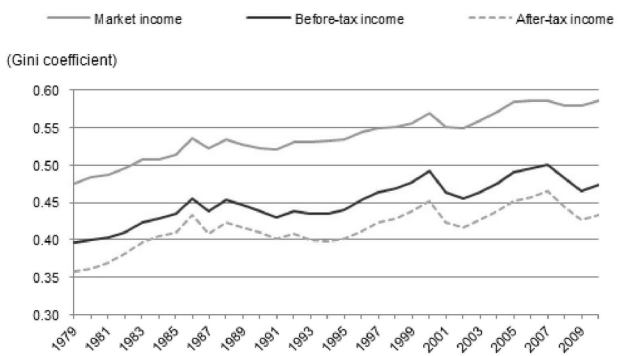
Chart 1

The Distribution Of Household Income Has Become More Concentrated Over Time



Source: Congressional Budget Office. Note: See Glossary of Relevant Terms for definition of Gini coefficient.

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Although a 2011 CBO report demonstrated that real net average U.S. household income grew 62% from 1979-2007, household income growth was much more rapid at the higher end of the income scale than at the middle and lower end. Revisiting the issue in 2013, the CBO showed that after-tax average income soared 15.1% for the top 1% from 2009 to 2010--but grew by less than 1% for the bottom 90% over the same time period, and fell for many income groups (5). Additionally, although the Census Bureau estimates that real mean household income increased 0.2% in 2011 and 2012, it declined for all groups other than those in the top fifth of earners (6).

This concentration of household income follows a long period in which income concentration remained relatively flat. Using U.S. tax returns, economists Thomas Piketty and Emmanuel Saez found that income concentration dropped dramatically following both World Wars and was roughly unchanged for the next few decades (7). It started climbing again in 1975, reaching pre-World War I levels by 2000--and Saez later observed that U.S. income inequality has now reached levels not seen since 1928 (8). In both cases, a similar pattern was in evidence--a boom in the financial sector, over-leveraged lower-income households, a massive, systemic financial crash--and the two worst economic slumps in U.S. history, the Great Depression and Great Recession, followed.

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When Ends Don't Meet

A few factors help explain the concentration within so-called "market income," which consists of labor income (wages and salaries, plus employer-paid benefits), capital income (excluding capital gains), business income, capital gains, and other income--all before government taxes and transfers (see Glossary for full definition).

The first reason is relatively simple: All these sources of income are less evenly distributed now than a few decades ago. In 1979, the bottom four-fifths of the income spectrum earned nearly 60% of total labor income, about 33% of income from capital and business, and about 8% from capital gains. By 2007, the bottom four-fifths share of labor income had dropped to less than 50%, income from capital and business had decreased to 20%, and capital gains fell to about 5%. In other words, all sources of income were less evenly distributed in 2007 than in 1979 (9).

Some point to the "superstar status" effect, with professional athletes and movie actors enjoying astronomical increases in earnings in the past few decades, helped by technological innovation that broadened their reach across global markets and a "winner take all" phenomenon.

Another "superstar" is the "super managers." Piketty argues that the "primary reason for increased income inequality in recent decades is the rise of the super managers in both the financial and nonfinancial sectors," finding that about 70% of the increase in income going to the top 0.1% from 1979 to 2005 came from increasing pay for those professionals (10). Other studies show that, since the 1990s, deregulation, corporate governance, and a greater reliance on equity options in executive compensation contributed to the compensation gap (11).

Another explanation of market income concentration is technological innovation. This phenomenon boosted the value of high-skill workers, enhancing their productivity and growth, while rendering some low-skill workers superfluous. As automation and production efficiencies have reduced the need for labor in mid-level professional or service jobs, wages have fallen, and occupations requiring a college degree typically offer double the salary of those requiring a high school diploma or less.

Other arguments suggest international trade and increased immigration--as well as the decrease in unionization--may also dampen wages of domestic workers. However, research on the trade effect has been inconclusive, while the impact from increased immigration on domestic wages has been modest (see "Adding Skilled Labor To America's Melting Pot Would Heat Up U.S. Economic Growth," published March 19, 2014, on RatingsDirect) (12). Meanwhile, some research has shown that the sharp decline in the unionization in the country, especially in the 1980s, has had a small but measurable impact on the overall increase in inequality for men over the last few decades (13).

The juxtaposition of slow or stagnant federal minimum wage growth and soaring compensation at the higher end of the labor income scale is another factor to consider. The minimum wage, which has held at $7.25 an hour since July 2009, has suffered a decline in purchasing power for almost half a century--peaking in 1968, when it was at $1.60, or just shy of $11 in today's money.

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Not Just The Fruits Of Our Labor

Though the share of income from labor and capital, excluding capital gains, has decreased, the share coming from capital gains and business income has increased over time. In particular, inherited wealth has increased since the World Wars and the Great Depression, as Thomas Piketty has shown (14), and with it the earnings from that wealth. This trend is important because labor income tends to be distributed across income levels more evenly than capital gains--so a shift in income composition can significantly affect inequality.

While labor income accounted for nearly three-fourths of market income from 1979-2007, that figure had dropped to two-thirds by 2007. Capital income (excluding capital gains) is the next largest source, but even at its 1981 peak, it represented only 14% of market income before falling to about 10% of total income in 2007. Conversely, income from capital gains rose, doubling to approximately 8% of market income in 2007 from about 4% in 1979. Business income and income from other sources (primarily private pensions) each accounted for about 7% of total income in 2007, up from about 4% each.

In addition, capital income has become increasingly concentrated since the early 1990s--and, despite declines in 2001 and 2002, concentration spiked from 2003 through 2007, with more than 80% of the capital gains realized by the top 5% of earners going to the top 1% alone (15). Capital gains also have become increasingly concentrated and are tied with business income as the most concentrated income source.

The Impact Of Government Policy

Government policies on taxation and government transfers, such as Social Security and Medicare, have done little to reduce income inequality--and may have contributed to a further widening of the gap.

Because government transfers and federal taxes are progressive, the distribution of net household income (after transfers and federal taxes) is more evenly balanced than the distribution of market income. That said, at the federal level, the equalizing effect of transfers and taxes on household income was smaller in 2007 than it had been in 1979. The CBO estimates that the dispersion of market income grew by about one-quarter from 1979-2007, but the dispersion of after-tax income grew by about one-third (16). The distribution of after-tax income in 2010 became slightly more even among different groups than before-tax income, though the dispersion of after-tax income in 2010 remained wider than in 1979 (see chart 2) (17).

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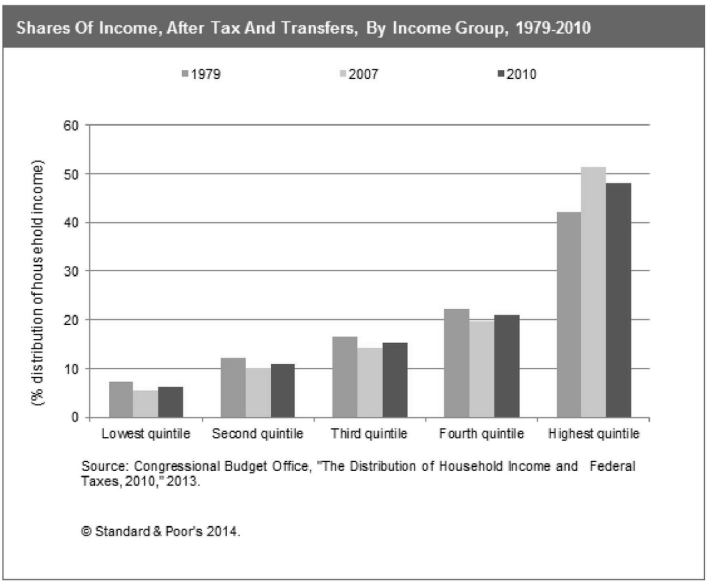
Chart 2



While the size of transfer payments rose by a small amount from 1979-2010, the distribution of transfers shifted away from households in the lower part of the income scale. The bottom 20% of households received only 36% of transfer payments in 2010, after receiving 54% in 1979 (18). This was largely because of the growth in spending on programs for the elderly (such as Social Security and Medicare), and benefits of these programs aren't limited to low-income households. Benefits for other programs that largely benefit the poor were also reduced (19). In addition, tax expenditures mostly benefit the affluent: Tax credits and tax deductions benefit those more at higher tax rates.

Changes in federal government tax policy have also exacerbated income inequality in recent decades (20). According to the CBO, the average rate for each income group in 2012 was below the rate that prevailed for that group in the 1990s and most of the 2000s even with the increases in average federal tax rates in 2010 (21). Indeed, the federal income tax rate for the top income earners fell to 35% in 2012 from 70% in 1979, while the government didn't reduce the payroll tax rate until the temporary Payroll Tax Holiday of 2010 (22). Keep in mind that the payroll tax that funds Social Security is levied on pay below a certain threshold ($117,000 this year). In practice, this means that those earning less than the cap pay a higher rate of Social Security tax than those who earn more than the cap. So, the composition of federal revenues has shifted away from progressive income taxes to less-progressive payroll taxes, and income taxes have become slightly more concentrated at the higher end of the income scale.

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Increasing income inequality also poses a risk to certain states' finances, given the correlation between income inequality and revenue volatility in the slow growth after the Great Recession. According to Gabriel Petek, credit analyst at Standard & Poor's, the volatility of tax revenue seems to be increasing despite the states' less-progressive tax structures--suggesting that income inequality as a macroeconomic issue can translate to credit implications for states.

Undereducated Workers: Both Today's And Tomorrow's

Technological achievement has saved us time and reconfigured our daily routines, allowing us to focus on our own skills and boosting productivity and growth. These advances are naturally disruptive in the beginning as workers adjust; that disruption becomes alarming when people don't have the means to adapt, making a lasting impact on career development.

Although the U.S. has been fairly quick to adapt in the past, today's workers have been left behind by technological change. Indeed, while recent advances now require many workers to have graduated from college, the supply of college-educated workers hasn't kept up with demand--and even the fraction of high school graduates has stopped climbing.

This education gap is a main reason for the growing income divide, and it affects both wages and net worth. From a wage perspective, occupations that typically require postsecondary education generally paid much higher median wages ($57,770 in 2012)--more than double those occupations that typically require a high school diploma or less ($27,670 in 2012). Further, those with a bachelor's degree had a median net worth value nearly twice that of people with a high-school diploma in 1998--climbing to almost 3.5 times greater by 2010 (see chart 3) (23). This difference is even greater higher up the educational ladder.

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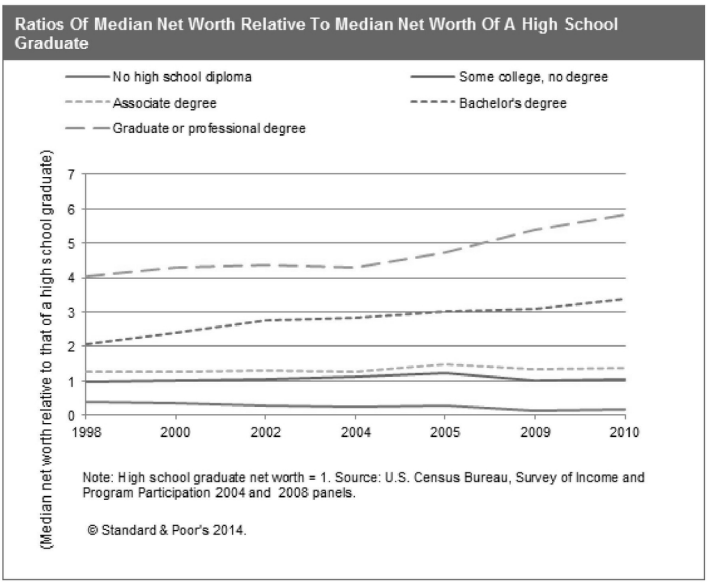
Chart 3



Harvard professors Claudia Goldin and Lawrence Katz argue that, rather than technology picking up speed, the reduced supply of educated workers is the key factor explaining the education gap, finding that between 1980 and 2005 the pace of the increase in educational attainment slowed dramatically. In 1980, Americans age 30 years or older had 4.7 years more schooling on average than Americans in 1930--but Americans in 2005 had only 0.8 years more schooling on average than Americans in 1980 (24). Based on this data, it would appear the problem isn't that technology has leaped ahead--rather, the supply of educated workers has stalled.

The impact of income inequality on future generations of qualified workers is particularly disconcerting. Michael Greenstone, Adam Looney, Jeremy Patashnik, and Muxin Yu (Hamilton Project-Brookings) examined the effect that the income divide in the U.S. could have on the future upward mobility of the country's children (25). They found that investments in education and skills, traits that increasingly decide job market success, are becoming more stratified by family income, threatening the earning potential of the youngest Americans.

These researchers note that, although cognitive tests of ability show little difference between children of high- and low-income parents in the first years of their lives, "large and persistent" differences start to appear before kindergarten and widen throughout high school (26). Indeed, researchers have found that the gap in test results of children from families at the 90th income percentile versus children of families at the 10th percentile has grown by about 40% over

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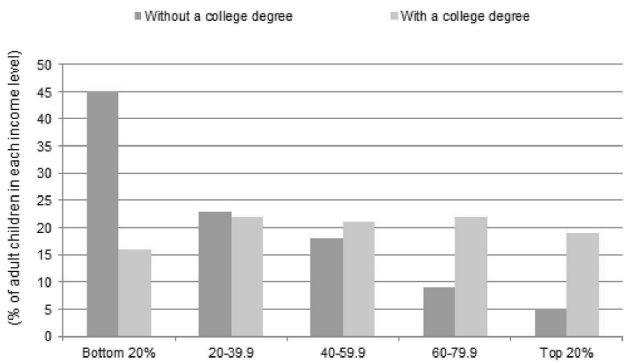
the past 30 years (27).

Not surprisingly, these differences persist into college and beyond. While there is a 45% chance that a child born into a poor family will remain there as an adult, chances of staying poor drops to 16% if that child finishes college (see chart 4). A child born into the bottom 20% will only have a 5% chance of reaching the top 20% of income earners as adults. But that increases to 19% if they earn a college degree.

Chart 4

For The Poor, Little Chance Of Breaking Into The Upper End Of The Income Range Without A College Degree



Note: Calculations are based on the PSID, which compares children's adult income at roughly age forty with that of their parents at about same age. Source: Haskins, Ron. "Education and Economic Mobility" 2008.

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However, college graduation rates have stagnated for low-income students, in sharp contrast with strong gains for wealthy students. While college graduation rates increased by about 4 percentage points between those born in the early 1960s and those born in the early 1980s for the poorest households, the graduation rate for the wealthiest households increased by almost 20 percentage points over the same period (28). These trends likely feed into the income potential for kids as they grew older, with children of well-off families much more likely to stay well-off and the children of poor families disproportionately likely to remain poor.

Given that education--particularly a college degree--is so important in a jobs market that increasingly demands a more educated workforce, these trends are disturbing. The findings suggest that last generation's inequalities will extend into the next generation, with diminished opportunities for upward social mobility. Moreover, the U.S. is losing the

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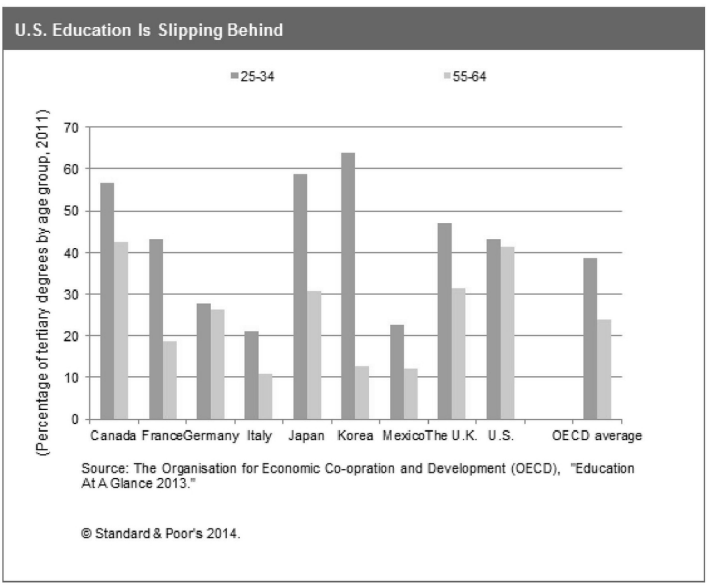
potential addition to growth of a worker who has reached his or her full potential.

The pace of U.S. education is also falling behind its peers (see chart 5). Approximately 43% of Americans aged 25-34 had a college degree in 2011, compared with more than half of people the same age in Canada, Japan, and Korea. Moreover, the proportion of degree holders among Americans aged 25-34 is virtually the same as that among those 55-64, meaning that graduation rates haven't changed much--a sharp contrast with the OECD average and a number of other countries, where graduation rates have increased significantly. As today's U.S. educational attainment slips behind other countries, the U.S.' ability to remain economically competitive in the international market is threatened.

Chart 5



What if, instead, we broke that cycle? What if the supply of educated workers picked up its pace, and, more or less, kept up with technological changes? The U.S. has been no stranger to this in the past. In the early part of this century, technological advancements were accompanied by an education boom (29). What would be the impact to the economy and to people's pocketbooks if the U.S. workforce's pace of education were to reach rates of education seen 50 years ago? That was when the American workforce gained a year of education from 1960 to 1965, which is a bit stronger than the period from 1950 to 1980, where they gained an average of about eight months of education every five years (30). In this scenario, the U.S. would add another year of education to the American workforce. U.S. potential GDP would likely be $525 billion, or 2.4% higher in five years than in the baseline (see chart 6). If education

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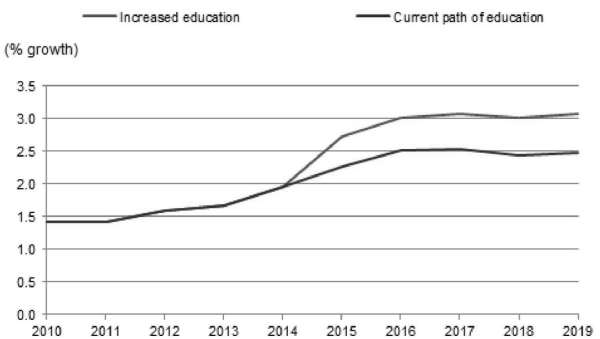
levels were increasing at the rate they were 15 years ago, the level of potential GDP would be 1%, or $185 billion higher in five years. A more educated workforce would benefit from higher wages. While the increased supply of people with advanced degrees may initially slow wage gains for jobs requiring an advanced degree, a stronger economy would help support higher incomes for all and help government budgets.

Chart 6

Education Improves U.S. Potential Growth



Sources: Barro, Robert and Jong-Wha Lee, "A New Data Set of Educational Attainment in the World, 1950-2010." Journal of Development Economics, vol. 104, pp.184-198; Oxford Economics; and Standard & Poor's Ratings Economics' Estimates.

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Historically, data at the state level support these results. States with a well-educated workforce are high-wage states. A clear and strong correlation exists between the educational attainment of a state's workforce and median wages in the state, with more educated individuals more likely to participate in the job market and earn more, and less likely to be unemployed (31). The unemployment rate for people 25 years old and older with a college degree was 3.3% in June 2014, which is one-third of the unemployment rate of those with less than a high school degree.

Education is an investment in the health and livelihood of future generations, with greater parent education positively correlated to a child's health, cognitive abilities, academic achievement, and future economic opportunities. Education not only benefits workers today, but also children tomorrow.

With evidence indicating that a well-educated U.S. workforce is not just good for today's workers and their children but also for the economy's potential long-term growth rate and government balance sheets, what do we need to do to get

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there? This will likely require some investment in the human capital of the U.S. workforce, today and tomorrow. But studies have indicated that the benefits greatly outweigh the costs. Researchers estimate that, depending on the exact program, $1,000 in college aid results in a 3- to 6-percentage-point increase in college enrollment, with the total cost in aid averaging $20,000 to $30,000 to send one student to college (32). Given a college graduate is expected to earn about $30,000 more per year than a high school graduate over the course of their life, the benefits outweigh the costs. It also this means more tax revenue from higher income than otherwise would have been the case.

Other new low-cost interventions, like simpler financial aid applications, more outreach about financial aid options that are available to students from low-income households, as well as offering college mentors to students, could help send more kids to school and encourage them to stay once they get there (33). Indeed, while the sticker price of a college degree is high, according to the College Board in 2012, the actual price paid after financial aid is often lower. That may be enough to encourage more low-income families to enroll.

While most agree that increasing college graduation rates would be a boon for economic growth, what about education before college? Goldin and Katz argue that the U.S. had "pioneered" free and accessible elementary education for most of its citizens and extended its lead into high school education when other countries were introducing mass elementary school education (34). After World War II, U.S. universities were known to be the best in the world. But by the early 1970s, Golden and Katz note that high school graduation rates plateaued and have been relatively flat for more than three decades, and college graduation rates slid backwards. That educational slowdown is likely the most important reason for increased education wage differentials since 1980 and is a major contributor to income inequality today.

Even if the U.S. government offers financial aid for college, many high school graduates aren't prepared for the rigors of university education. The 2003 Program for International Assessment (PISA), for one, showed U.S. 15-year-olds to be substantially below the OECD average in mathematics literacy, problem solving, and scientific literacy (35).

Increasing aptitude in early education has been discussed in a number of studies. Most point to increasing the quality of K-12 education to improve high school graduation rates and postsecondary education (36). Some have argued that inadequate investments by states and local governments in education have weakened the ability of a state to develop, grow, and attract businesses that offer high-skilled, high-wage jobs (37). The Brookings Institution has found that a high-quality universal preschool program, costing about $59 billion, could add $2 trillion in annual U.S. GDP by 2080. This additional growth would generate enough federal revenue to easily cover its costs several times over (38). However, the authors note that it is difficult to win support for a short-term investment, like preschool programs, given the long-term nature of its benefits to the economy.

Catching Up With The Joneses

As income inequality increased before the crisis, less affluent households took on more and more debt to keep up--or, in this case, catch up--with the Joneses, first by purchasing a new home. Further, when home prices climbed, these households were willing to borrow against their newfound equity--and financial institutions were increasingly willing to help them do so, despite slow income growth. A number of economists have pointed to ways in which this trend may

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have harmed the U.S. economy.

Professor of Public Policy at U.S. Berkeley Robert Reich argues that increased inequality has reduced overall aggregate demand. He observes that high-income households have a lower marginal propensity to consume (MPC) out of income than other households, and they're currently holding a bigger slice of the economic pie. Research by economists Atif Mian, Kamalesh Rao, and Amir Sufi backed that up, finding the MPC for households with an average annual income of less than $35,000 to be three times larger than the MPC for households with average income over $200,000 (39). Mian and Sufi also found that, as home values increased between 2002 and 2006, low-income households very aggressively borrowed and spent (possibly borrowing on increased home equity)--while high-income households were less responsive. Unsurprisingly, when housing wealth declined, the cutback on spending for low-income households was twice as large as that for rich households (40).

Mian and Sufi further used ZIP codes to locate areas with disproportionately large numbers of subprime borrowers (those with low incomes and credit ratings) and found that these ZIP codes experienced growth in borrowing between 2002 and 2005 that was more than twice as high as in ZIP codes with wealthy "prime" borrowers (41). They also found that ZIP codes with lower income growth received more mortgage loans during that time period, supporting the notion that government policy targeting low-income groups increased lending to the less well-off. After 2006, the subprime ZIP codes experienced an increase in default rates three times that of prime ZIP codes.

Raghuram Rajan claims that, while high-income individuals saved, low-income individuals borrowed beyond their means in order to sustain their consumption, and that this overleveraging, as a result of increased inequality, was a significant cause of the financial crisis in 2008 (42). An IMF paper by Michael Kumhof and Romain Ranciere also details the mechanisms that may have linked income distribution and financial excess and have suggested that these same factors were likely at play in both the Great Depression and Great Recession (43).

Unfortunately, coming back from the Great Recession appears to be taking longer than many had hoped. With a postrecession annual growth rate of 2.2%, our recovery is not even half the historical average annual growth of 4.6% for other recoveries going back to 1959. This is not a complete surprise, given that financial crises are often followed by prolonged recessions and a long bout of subpar growth--thanks in part to the deleveraging that comes as people try to repair their finances.

Indeed, during the recession, the consumption-to-income ratio of the bottom 95% of earners fell sharply, as banks and other lenders imposed tighter borrowing constraints, according to a study by Barry Z. Cynamon and Stephen M. Fazzari (44). Though the consumption-to-income ratio of the top 5% rose, this increase was not enough to offset inadequate demand coming from the bottom 95%. That makes sense. Between 2007 and 2010, the average U.S. household lost 39.6%, or about 18 years' worth, of their net wealth in the three years when the recession started in 2007 to the early recovery in 2010. The middle class lost over 40% of their wealth in just three years, while the top 10% of income earners actually accumulated an additional 2% to their wealth (see chart 7). Corporations that have been reluctant to invest or to cut prices to gain market share because of distorted incentives to seek short-term stock market gains have also depressed demand, according to Andrew Smithers (45). These two factors go a long way to explain why the recent recovery has been subpar in comparison with other postrecessionary periods.

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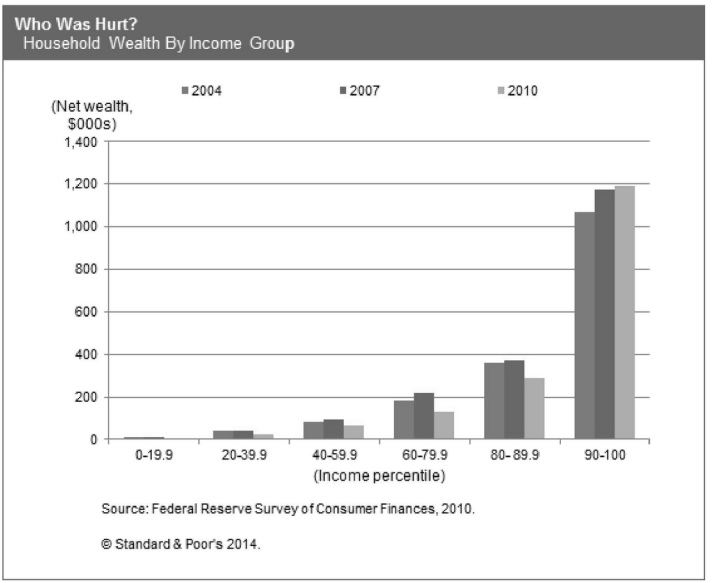
Chart 7



Indeed, economist Robert E. Hall, a senior fellow at Stanford University's Hoover Institution, laments that "the years since 2007 have been a macroeconomic disaster for the United States of an unprecedented magnitude since the Great Depression," noting that U.S. economic output in 2013 was 13% below what the precrisis trend has predicted (46). He is skeptical that a sudden surge in output will help the economy recover the ground it lost. Rather, a possible scenario would be a gradual return to a precrisis growth rate, which leaves the U.S. permanently below the level of output that precrisis trends had suggested.

Indeed, while Standard & Poor's is expecting the annual real growth rate to climb above the 3% mark in 2015. That will be the first time since 2005 and comes after another year of subpar growth of just 2.0% expected for 2014. The U.S. already has averaged a mere 1.4% over the last 10 years, through 2013. After expecting to see that long-awaited burst of growth in 2014 of 3% at the beginning of the year, we have reduced our expectations for GDP growth back to that 2% mark once again. We now expect the 10-year average annual growth to be about 2.5% though 2024. To put that in perspective, five years ago, we forecasted the 10-year average annual growth rate to be 2.8%, with all yearly rates much higher than the 2% mark.

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Secular Stagnation

The Fed's expectation for long-run U.S. economic growth has drifted down even more than our forecasts. Five years ago, the Fed expected to see the economy ambling along at a respectable 2.65% annual pace over the long run. By June, the Fed's expectation for long-run growth in the U.S. had dropped to 2.2% (central tendency was 2.1% to 2.3%).

The IMF and CBO have also lowered their long-term growth projections. Last month, the IMF lowered its long-run growth forecast for the U.S. to about 2% (47). The CBO now projects that real (inflation-adjusted) GDP will increase at an average annual rate of 2.3% over the next 25 years, compared with 3.1% during 1970–2007.

Aside from the fact that there are different Federal Open Market Committee participants now than before, the Fed's reasons for lowering its expectations for long-term growth are likely similar to concerns that the IMF and CBO raised, including the effects of an aging population on the economy and more modest prospects for productivity growth. The CBO also noted that in addition to the retirement of the baby-boom generation, the declining birth rates and leveling off of increases in women's participation in the work force also helped slow the growth of the labor force.

In this light, former Secretary of the Treasury Lawrence Summers has said that the U.S. may be mired in a period of slow growth, marked by only marginal increases in the size of the workforce and small gains in productivity--what he called "secular stagnation" (48). This refers to an economic era of persistently insufficient economic demand relative to the aggregate saving of households and corporations. Here, the U.S. may be stuck in a long-run equilibrium where real interest rates need to be negative to generate adequate demand. Without that, the U.S. slides into economic stagnation. While specific causes of secular stagnation are still uncertain, possible reasons include slower population growth, an aging population, globalization, and technological changes. An increasingly unequal distribution of income and wealth is also cited as a contributing factor. Disparate income growth is important because those at the top of the distribution have a higher savings rate. Since income that is put into savings is not spent, it undercuts the overall level of economic activity that takes place. Mian and Sufi emphasize the role of income inequality and how recent years seem to suggest the only way the economy is capable of generating faster economic growth is by being juiced with more aggressive credit expansion, which does not last (49).

Unfortunately, the move toward low-paying jobs has continued unabated. In the past four years since the outset of the U.S. economic recovery, job gains have come mainly in low-paying positions, according to the National Employment Law Project, an advocacy group for low-income workers. While 22% of job losses during the recession were in lower-wage industries, 44% of employment growth in the past four years has come in this group--meaning that, today, lower-wage industries employ 1.85 million more Americans than before the downturn. And often these low-wage jobs have less access to benefits, such as private health insurance, pensions, and paid leave, compared with their higher-paying brethren (50). Considering the Bureau of Labor Statistics' forecasts that low-paying jobs will dominate employment gains for the next decade, it seems clear that labor-income disparity will continue to widen.

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Not Just A Problem For The Poor

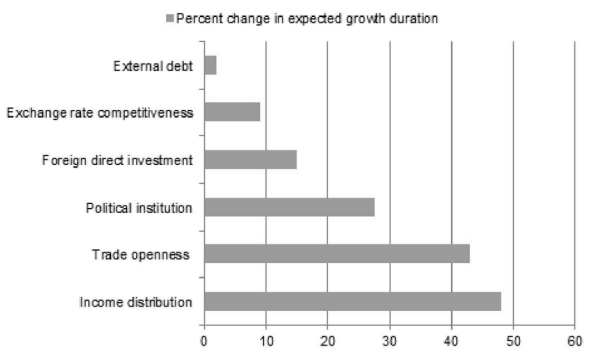
Do societies inevitably face a choice between efficient production and the equitable distribution of income? According to IMF economists Andrew Berg, Jonathan Ostry, and Jeromin Zettelmeyer, the answer is no. They argue that the empirical literature on growth and inequality using long-run average growth may have missed how income distribution is tied to abrupt ends in growth.

Their work examined growth over a long time horizon, between 1950 and 2006, focusing on the duration of growth spells, and showed that there may be no trade-off between efficiency and equality (51). In fact, they posited that equality could be an important component of sustained growth, observing that the level of inequality may be the key difference between countries that enjoy extended, rapid expansion and those whose growth spurts quickly dissipate. In short, promoting greater equality may also improve efficiency in the form of more sustainable long-run growth.

Of the number of variables associated with longer growth spells, income inequality's relationship with the duration of growth spells was the strongest (see chart 8). They found that a 10% decrease in inequality (a change in the Gini coefficient to 0.37 from 0.40) increases the expected length of a growth spell by 50%.

Chart 8

Income Distribution Has A Stronger Impact On How Long Growth Lasts Than Other Factors



Note: See Glossary of Relevant Terms for details on authors' calculations. Source: Berg and Ostry, "Equality and Efficiency", September 2011.

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Meanwhile, the experiences of developing and emerging economies suggest that igniting growth is less difficult than sustaining it (52). Even the poorest of countries have managed to expand their economies for several years--only for growth to falter.

Berg and Ostry found that income inequality is the single most important factor in determining which countries can sustain economic growth. Using the GINI coefficient--which ranges from 0 to 1.0--they measured the extent to which economic growth falls as inequality rises. A country in which everyone earns exactly the same would have a score of 0, while a society in which one person owned everything would have a score of 1.0. Berg and Ostry saw that a GINI coefficient of higher than 0.45 could weigh on growth. Although correlation is not causation, we note that, based on after-tax income, the U.S. economy scored 0.434 on the GINI scale in 2010, according to the CBO, placing it near that threshold (53).

To be sure, it seems counterintuitive that inequality is associated with less-sustainable growth, since some inequality, by providing incentives to effort and entrepreneurship, may be essential to a functioning market economy. But beyond the risk that inequality may heighten the susceptibility of an economy to booms and busts, it may also spur political instability--thus discouraging investment. Inequality may make it harder for governments to enact policies to prevent--or soften--shocks, such as raising taxes or cutting public spending to avoid a debt crisis. The affluent may exercise disproportionate influence on the political process, or the needs of the less affluent may grow so severe as to make additional cuts to fiscal stabilizers that operate automatically in a downturn politically unviable.

Striking A Palatable Balance

The discussion about income inequality is hardly new, and contrary opinions abound. In his influential 1975 book "Equality and Efficiency: The Big Tradeoff," economist Arthur Okun argued that pursuing equality can reduce efficiency. He claimed that not only would more equal income distribution reduce work and investment incentives, but the efforts to redistribute wealth--through, for example, taxes and minimum wages--can themselves be costly (54).

Of course, income inequality in the U.S. was much less 40 years ago. Kristin Forbes found that, in the short- and medium-terms over a few years, an increase in income inequality has a significant positive relationship with economic expansion (55). But Forbes also found that the relationship was weakened (or could turn negative) when she increased the length of the growth spells. And a World Bank study later found that the positive effect on growth was almost exclusively reserved for the top end of the income distribution (56).

Income inequality can contribute to economic growth, and a degree of inequality is a necessary part of what keeps any market economic engine operating on all cylinders. Indeed, a degree of inequality is to be expected in any market economy, given differences in "initial endowments" (of wealth and ability), the differential market returns to investments in human capital and entrepreneurial activities, and the effect of luck.

However, too much of the focus in the debate about inequality has been on the top earners, rather than on how to lift a significant portion of the population out of poverty--which would be a good thing for the economy. And though extreme inequality can impair economic growth, badly designed and implemented efforts to reverse this trend could also undermine growth, hurting the very people such policies are meant to help (57).

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There is no shortage of proposals for tackling extreme income inequality. President Obama has proposed an increase in the hourly minimum wage to $10.10 from the current rate of $7.25, and the IMF recently called on lawmakers to boost the wage (though it refrained from suggesting a specific level). Managing Director Christine Lagarde said that doing so would help raise the incomes of millions of poor and working-class Americans and "would be helpful from a macroeconomic point of view" (58).

An increase in the minimum wage would certainly carry with it short-term impacts, likely bringing 900,000 people above the poverty line in the second half of 2016--and, according to the CBO, lifting wages for 24 million workers at the next level above minimum wage. Fewer American households at or below the poverty line would also help bolster government balance sheets and likely improve state and local credit conditions.

But raising the minimum wage is not without negative consequences. Reduced labor demands resulting from higher wages could reduce potential hires by 500,000 jobs, according to CBO estimates (59). Further, while 49% of those workers making the minimum wage are under age 25, the CATO Institute reports that, of older workers (the other half of minimum wage earners), 29.2% live in poverty and 46.2% live near the poverty level, with family incomes less than 1.5 times the poverty line (60).

Apart from minimum wage discussions, a recent report from the OECD suggested that carried interest--the share of profits that money managers take in from an investment or fund--should be taxed as regular income rather than as returns on investment. Ian Ayres, professor of law at Yale, and Aaron S. Edlin, professor of law and economics at the University of California, Berkley, proposed an automatic extra tax, the so-called Brandeis tax, on the income of the top 1% of earners that would limit the after-tax incomes relative to median household income (61).

Warren Buffett, the chairman and chief executive of Berkshire Hathaway, who consistently ranks among the world's wealthiest people, has long argued along similar lines. He claimed that his 2010 federal tax bill--income taxes and payroll taxes--amounted to 17.4% of his taxable income (62). That, he wrote, was the lowest percentage of any of the other 20 people in his office, whose tax burdens were between 33% and 41% and averaged 36%.

Meanwhile, two Democratic California legislators--Loni Hancock and Mark DeSaulnier--have proposed tying the state's corporate income tax to the ratio of CEO-to-worker pay--a sliding scale in which a company's tax bill could shrink along with the gap in pay between executives and workers. The change would trim a company's tax rate for any corporation in which the chief executive makes less than a hundred times what the median worker earns.

Any clear-headed consideration of these options must recognize that heavy taxation--solely to reduce wage inequality--could do more damage than good. While the IMF studies found that some redistribution appears benign, extreme cases may have a direct negative effect on growth. Heavy taxation solely to equalize wages may reduce incentives to work or hire more workers. A number of studies have indicated that losses from redistribution are likely to be minimal when tax rates are low but rise steeply with the tax or subsidy rate (63).

IMF authors Ostry, Berg, and Tsangarides note that "redistribution need not be inherently detrimental to growth, to the degree that it involves reducing tax expenditures or loopholes that benefit the rich or as part of broader tax reforms (such as higher inheritance taxes offset by lower taxes on labor income)" (63). Moreover, redistribution can also occur when taxes finance public investment, or spending on health and education disproportionately benefits the poor, which

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help offset the growing divide in educational opportunities and outcomes, broadening the pathways for our future leaders, to the benefit of all.

That said, some degree of rebalancing--along with spending in the areas of education, health care, and infrastructure, for example--could help bring under control an income gap that, at its current level, threatens the stability of an economy still struggling to recover. This could take the form of reallocating fiscal resources toward those with a greater propensity to spend, or toward badly needed public resources like roads, ports, and transit. Further, policies that foster job-rich recoveries may help make growth more sustainable, especially given that rising unemployment correlates with rising income concentration. Additionally, effective investments in health and education promote durable growth and equity, strengthening the labor force's capacity to cope with new technologies.

The challenge now is to find a path toward more sustainable growth, an essential part of which, in our view, is pulling more Americans out of poverty and bolstering the purchasing power of the middle class. A rising tide lifts all boats…but a lifeboat carrying a few, surrounded by many treading water, risks capsizing.

Writer: Joe Maguire

Glossary Of Relevant Terms

Market income

Based on CBO analysis, market income includes the following components:

- Labor income: cash wages and salaries (including 401(k) plans), employer-paid health insurance premiums, and the employer's share of Social Security, Medicare, and federal unemployment insurance payroll taxes.
- Business income: net income from businesses and farms operated solely by their owners, partnership income, and income from S corporations.
- Capital gains: profits realized from the sale of assets. Increases in the value of assets that have not been realized through sales are not included in market income.
- Capital income (excluding capital gains): taxable and tax-exempt interest, dividends paid by corporations (excluding S corporations), positive rental income, and corporate income taxes. The CBO assumes that corporate income taxes are borne by owners of capital in proportion to their income from capital, so the corporate tax is included in household income before taxes.
- Other income: retirement income for past services and any other sources of income.

Transfer income

Transfer income includes cash payments from Social Security, unemployment insurance, Supplemental Security Income, Aid to Families with Dependent Children, Temporary Assistance for Needy Families, veterans' benefits, workers' compensation, and state and local government assistance programs, as well as the value of in-kind benefits, including food stamps, school lunches and breakfasts, housing assistance, energy assistance, Medicare, Medicaid, and the Children's Health Insurance Program (health benefits are measured as the fungible value, a Census Bureau estimate of the value to recipients).

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After-tax income

After-tax income is equal to market income plus transfer income minus federal taxes paid. In assessing the impact of various taxes, individual income taxes are allocated directly to households paying those taxes. Social insurance, or payroll, taxes are allocated to households paying those taxes directly or paying them indirectly through their employers. Corporate income taxes are allocated to households according to their share of capital income. Federal excise taxes are allocated to households according to their consumption of the taxed good or service.

Average tax rates are calculated by dividing federal taxes paid by the sum of market income and transfer income. Negative tax rates result from refundable tax credits, such as the earned income and child tax credits, exceeding the other taxes owed by people in an income group. (Refundable tax credits are not limited to the amount of income tax owed before they are applied.)

The Gini Index

The Gini Index is a measure of income inequality based on the relationship between shares of income and shares of the population. It is a value between 0 and 1.0, with 0 indicating complete equality and 1.0 indicating complete inequality (in which one household receives all the income). A Gini Index that increases over time indicates rising income dispersion.

Chart 8 details

Data from Berg, Ostry, and Zettelmeyer (2008).

Authors' calculations: The height of each factor represents the percentage change in a growth spell between 1950 and 2006 when the factor moves from the 50th percentile to the 60th percentile and all other factors are held constant. Income distribution uses the Gini coefficient. The political institutions factor is based on an index from the Polity IV Project database that ranges from +10 for the most open and democratic societies to –10 for the most closed and autocratic. Trade openness measures the effect of changes in trade liberalization on year-to-year growth. Exchange-rate competitiveness is calculated as the deviation of an exchange rate from purchasing power parity, adjusted for per capita income.

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(19) CBO, 2013. The CBO noted that other transfers declined from nearly 3% to under 2%. Transfers to low-income households, such as Aid to Families With Dependent Children and Temporary Assistance for Needy Families, declined relative to market income.

(20) For example, the Bush Administration tax cuts of 2001 and 2003 reduced the income tax rate, capital gains tax rate, and dividend tax rate. Earlier, the tax cuts under President Ronald Reagan in the 1980s lowered the top individual income tax rate to 28% from 50%. There was no reduction to the payroll tax rate until the Payroll Tax Holiday of 2010.

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From: Tonja Haddad Coleman [redacted]
Sent: 1/29/2015 8:33:35 PM
To: Darren Indyke [redacted]; jeevacation@gmail.com; Jack Goldberger <[redacted]> [redacted]) [redacted]
Subject: FW: National Enquirer Comment Request Re: Jeffrey Epstein

Importance: High

Tonja Haddad Coleman, Esq.
TONJA HADDAD, P.A.
Advocate Building
315 SE 7th Street
Fort Lauderdale, FL 33301
[redacted]

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From: Gonzalez, Patricia [redacted]
Sent: Thursday, January 29, 2015 3:29 PM
To: Tonja Haddad Coleman
Cc: Cartwright, Lachlan
Subject: National Enquirer Comment Request Re: Jeffrey Epstein
Importance: High

Tonja--

The National ENQUIRER is preparing to publish a story that Bill Clinton used a private "orgy" jet to travel to Brunei for an extraordinary dinner with a royal accused of duping American women into "white slavery."

The ENQUIRER will report that Bill was accompanied by the 727's owner, billionaire pedophile Jeffrey Epstein, when he landed in the tiny South-East Asian country on May 25, 2002. His entourage also included two women who allegedly worked as "madams" for Epstein, luring teenaged girls into sex trysts with the tycoon and his powerful and famous friends.

According to The ENQUIRER's investigation, Bill spent the day playing golf at a seven-star hotel -- and then was invited to dine with Brunei's sultan, Hassanal Bolkiah .....who was charged with holding a deeply-religious Christian beauty queen as a "human chattel." Far from being embarrassed by the ruler's tawdry reputation, moreover, records for Bill's nonprofit foundation reveal that Brunei made a donation towards his Clinton Presidential Library that year of between $1 million and $5 million.

Please kindly attempt to provide any comment by 4 pm ET tomorrow, Friday January 30th to Lachlan Cartwright, Executive Editor, at [redacted] [Office] or [redacted]

Thank You,
Patricia Gonzalez
The National Enquirer

Office#[redacted]
E-mail: [redacted]

From: Quora Digest [digest-noreply@quora.com]
Sent: 7/14/2019 7:03:52 PM
To: jeevacation@gmail.com
Subject: Is Denmark going bankrupt?

Jeffrey's Digest

TOP STORIES FOR YOU

Is Denmark going bankrupt?

Erik Callaway, lives in Denmark (2014-present)
Written Feb 11

If you watch Fox News? Yup. . . Choked under the weight of burdensome taxes, over-regulation, and society's leaches, Denmark is primed to implode.

If you look at any quality...

Read More »

When my father was 32 I was 9. Now he is twice as old as me. How old am I?

Parth Parulekar, Software Engineering Intern at Avalara
Written Tue

You are 23 years old.

To answer this question, you must form the equation below:

$2(9+x) = 32+x$

where x is the number of years passed since the father was 32.

... Read More »

Why do you think the reason behind Trump abruptly canceling Pence's New Hampshire trip?

Jill Grant, voting for over fifty years
Written Jul 6

He wanted Pence in the background for the pictures on July Fourth.

There isn't any other reason unless he's going in for surgery, the New Hampshire police found out at the l...

Read More »

Do French understand us if we speak French as it's written?

Eric Dec, knows French
Written May 25

No, we don't. Because French has too many diphtongs and silent letters.

Try to pronounce *oiseau* (bird) as it's written. It might sound like *oy-see-ay-oo*. But no French speak...

Read More »

My 10-year-old biological son keeps telling my adopted 12 year old that she's "not really family." I've tried to explain how that upsets her but he doesn't stop. How can make him understand?

Felicia Marie Hippler, mother of 3 one with Down Syndrome
Written Jul 5

I was adopted.. I went through this too not just from my sister's but from cousins that were very close in age but my mom always told me something that really stuck with me...

Read More »

Why is Trump's trade war the wrong way to compete with China?

Isaac Yeung, Christian Economist (2008-present)
Written Wed

Donald Trump has a nickname in China, known as Chuan Jian Kuo (川建國). Chuan means Trump. Jian means building. Kuo means the country. While Trump pledges to make America grea...

Read More »

What are signs of a high IQ in an individual, both positive and negative?

Michael Wellen
Written May 11

1. Tendency to jump around in conversation.
2. A certain distance. Like they're not entirely there with you.
3. They collect interesting 'friends'.
4. Kindness....

Read More »

I heard Israeli satellites orbit Earth in the opposite direction due to various launch restrictions. Does the IDF get any advantages from this?

Maayan Stern, lives in Israel (2009-present)
Written May 14

The reason we launch satellites to the west isn't an advantage- in fact, it's a disadvantage because we can't take advantage of the Earth's rotation. We do it because our e...

Read More »

Why do most of people love Canada but not so many houses and buildings hang the national flag not like the US?

Ross Driedger, VP of Technology (2017-present)
Written Jul 2

Driving through the USA, I see an American flag waving in the wind above some random house, then another, and another, and yet another, and so on.

Yes, I know I am in your c...

Read More »

Is Tinder right for me?

Tomas Rauhala, Musician, Bartender, Sound Engineer
Written Jul 4

That depends...

1. Are you a woman? (If you are, go ahead. Women can always score.)
2. If you're a man, are you at least 6 feet tall?
3. If not... Are you unusually good-looking (like a mo...

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Notes from Aspen Strategy Group

US Policy on Arab Revolutions

TJP summary: Plenty of different opinions on what was done right and wrong. No consensus.

Indyk: syria will spill into Bahrain and KSA (Saudi). We should have moved earlier. KSA is a BFD.
Feaver (ex Bush): BO's obsession w anti Bush (especially wrt Iraq) has unnecessarily limited Administrations ability to engage in Iraq which -as we see now w Syria - is just dumb.
Dannzinger (ex Obama Admin): obama has done a remarkable job and the only way he could have done better is if I had held a senior post in the Administration.
Kahl (ex Obama Admin) : Feaver is living in a fantsy world. BO couldn't make a SOFA deal w NAM. He tried, but we had no leverage and Iraqis wanted to break sense of occupation. So President went to zero based engagement and now wants to build engagement w Iraq from zero base.
Flornoy: Feaver, you make me feel like I lived in a different reality. Did a good job of articulating "lead from behind" strat in Libya. When you consider our national interests in the context of our domestic condition, we did the best we could.
Zelikow: what are the top priorities of admin. Defeat AQ and avoid a "pre mature war w Iran; avoid Iraqi civil war - Iraq is moving troops now to west; manage the hot situations in ME.
Froman: "lead fom behind" is not admin policy. Leverage our resources and those of our allies.
Hadley: now in era of big bets. We need to define our objectives and spot moments when we should lead and take a big bet.
Maghan O: advancing our interests w a Lead from behind or a light handed approach will only work if a numner of assumptions are accurate (eg Muslim Bro will moderate; monarchy -KSA- will self reform). These are big assumptions and therefore using a light hand may fail. Agrees w Hadly that there are times we should take a big bet and Iraq would have been an example of that.
Indyk: we need to engage more in Syria. It is a regional lynch pin and lead from behind won't work.
Feaver: Dannzinger is uncharacteristically wrong. A different approach 4 yrs ago would have left us in better positions in Iran Iraq and Syria.

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Iraq

TJP summary: Obama has been unable to find a way to keep a US voice in Iraq. Iraq is a big deal and US has just disappeared. Admin says that NAM (Iraq PM) has kept us out; Bush people say that Obama has walked away.

Maghan O': We should have kept resid force in Iraq. Most important function would have been keeping a healthy tension between the central govt and new institutions. For 10 years Iraq has had a centralized power base. With removal of US, you took away support for new institutions. Iraqis view removal of forces as a sign we don't care.

Jim Steinberg: Could get that done. President was committed to keeping some troops in Iraq and used his leverage to try and get that done. President supported NAM in hopes of getting a new SOFA. Tried everything. We could not deploy forces without deal on immunity. We need to now focus on how can we now engage. This is going to be hard to do without support (financial, security etc.)

MO: President ignored lessons of 2008 SOFA negotiations. There, we got creative on immunity.

JS: NAM said he could do SOFA but couldn't take it to Parliament. We insisted on going to Parliament beacause attys said without that we wouldn't have a binding deal.

MO: Will Iraq hold together? More challenges now that I have seen since 2003, but still more likely than not. NAM is consolidating power in last 9 mos which sends a msg to Kurds that they don't like. If NAM kills democracy, then Kurds

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leave the union. The US should help Turkey and Baghdad resovlve their issues. Portraying Turkey as a model and Iraq as a bad guy is counter productive. Turkey is trying to undermine Shia role in Iraq.

JS: External forces will affect Iraq. We need to keep incentives for all parties to keep country together.

MO: Iraq is most vulnerable to Iran when it is weak and divided and we haven't done enough to help Iraq. Iraqi's are worried that an Assad exit will push Iran to double down on Iraq.

JS: limit Iran's influence on Iraq by isolating Iran in region. Reducing Iran's incluence in region is key. But Iraq also has to get its act together and be more cohesive. President has made a big bet on Erdogan and Turkey.

Scowcroft: What are Turkey's objectives in Iraq?

Steinberg: Kurd separation is their focus. Building a relationship with Iraqi Kurds is a route for Turkey. They don't like NAM and Shia – sunni split plays a role in Turkey's attitude towards Iraq.

MO: Turkey sees Iraq and Iraqi Kurds as a source of energy. Turkey doesn't necessarily like the idea of an indep. Kurdish state. Also comments that there are limits to Iran's influence in Iraq. Sadr is becoming an Iraqi nationalist. He wants to get rid of NAM. Fluid political dynamics in Iraq. Iran cannot determine outcomes in Iraq.

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Zalikow: US posture in Iraq and Iraqi Kurdistan. We can put non-uniformed people in Iraqi Kurdistan. Kurdish conflict with NAM is about oil. These are big bets. NAM is saying you oil companies can go to Kurdistan or Basra but not both. Immediate neighbors of Kurds are Sunnis who also dislike NAM. What would US position be if Iraqi forces fought with Kurds?

Madeleine: Turkey needs to be a key relationship. Need to assure that Turkey is a solid partner in our efforts in region.

Feinstein: You guys underestimate activities and missions being executed by Qud Forces and Republican Guards. Proxies are going to become major players.

Dov: If Syria goes Sunni, that's bad for NAM.

Podesta: What role of AQI in Syria?

Kahl: Risk to Iraq is growth of NAMs power, but we couldn't affect politics in Iraq w 150k toorps what makes anyone think we could do it with 10 k troops. Also, we couldn't get SOFA cause all attys were saying we needed Parliament to approve SOFA and NAM said he couldn't take it to Parliament.

JS: Resid forces might have been helpful under some circumstances. Now, we need to make clear that we do not support an Indep. Kurdistand. How do we do that and still support Kurds?

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MO: If Kurds have military confrontation with NAM, our response will depend on circumstances.

Pawlenty: What lessons have we learned and what lessons has NAM learned?

MO: NAM knows that when he leaves office, he could be prosecuted and put in jail. This will inform his actions. Syria and Iraq: would be in our interests if Syria issue was not seen as Sunni v Shia. We would like an opposition that is more broad based. Barzani could help by trying to get Syrian Kurds integrated into Syrian opposition. Baghdad-Ankara relationship is very bad. They want to get rid of NAM so pushing Iraqi Kurds to make trouble for NAM. This could be a gross miscalculation. Davutaglu is personally driving a better deal for Sunnis in Iraq.

Post 3

MENA: trade, aid and economics

TJP summary: Arab Spring or Islamic Awakening has changed the game in knowable and unknowable ways. Knowable is that the region – in addition to its political crisis - is facing the potential of a very serious financial crisis. Financial stabilization is first order of business. Egypt and KSA are the mother of all problems in the region. (besides Iran, Pakistan and Syria). If Egypt or KSA get out of control it is a global game changer.

Kito de Boer McKinsie UAE
Arab Spring has had significant and negative financial consequences for region.

1. Not biz as usual. Outcomes are very uncomfortable. Think in terms of paths that could be models: Pakistan or Indonesia or Turkey.
2. Libya could be lighthouse of progress in region;

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3. Insights and strategy counts. Discount opinions of elite. Get to the street to understand. Hire locals. Be local.
4. Act while the going is good. Cost of operating KSA has gone from $12/barrel to $85/barrel. KSA is not financially sustainable with these expenditures.
5. Governance is not fit for purpose in many countries. KSA is unable to solve problems particularly where it requires cross – ministerial action. Too many civil servants.

Critical issues for region:

1. Employment
2. Education for employment
3. Economic model needs to be fixed
4. Housing. Huge social issue because inadequate housing means the 20-30 year olds stay at home and that is bad social policy.

Mike Froman (Dpty NSA)

Glass half empty. Serious financial difficulty ahead. Populace policies adopted to quell people. This includes expenditures and that become embedded as entitlements. (I refrained from asking him if that sounded like another country we know). MENA's export market is Europe which means they will experience softness. All of this has the makings of a serious financial crisis in the region. We are seeing the beginning of a multi-decade set of issues. No beacon for success. A series of fundamental issues are not resolved, including: Modernism, role of private sector, role of foreigners. Demographics create pressure on solutions because they need to address distribution of wealth. Administration's early contacts w Muslim Bro (Muslim Brotherhood) are encouraging. They come from mercantile class. Need to work with them. What to do?

Admin has a 4 pillar policy towards Egypt.

1. Stabilization. We must, must, must avoid financial crisis. Give financial support (IMF, access to credit markets etc.)
2. Job creation. Expand mandate of EBRD.
3. Broaden participation in governance. Anti corruption laws and asset recovery programs.
4. Integration. Trade and investment. Trade liberal ization. Good regulatory practices (like Dodd Frank?)

Problem in Egypt is that there is no one to talk to.

Bob Zoellick (just retired as President of World Bank)

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Economics needs to be viewed as a dynamic in its own right, not just a function of political and social issues. Money is not enough. Structural and governance reforms are just as critical. Connect structural reforms to communities. Create context for public investment. Framework s for investing. Jordan is on the edge. They are starting some reforms. Policy counts, not just money. Country and people must own the effort. While we see Egypt and KSA (Saudi) as the big problems, if they aren't interested in reform, we should spend our energy and resources in smaller countries who are ready and hope they provide role models when dynamics of Egypt and KSA are more ripe.

Syria: Should the US intervene?

TJP summary. There was a remarkable consensus that the US should intervene in Syria. Many on both sides of the aisle supported the Hadley formulation (see below). Questions of how to intervene varied somewhat, but few said we should not actively intervene in the Syrian situation. Under discussed were two critical issues. First, WMD. Syria has huge stores of chemical and bio weapons and they are very widely distributed. Having these fall into hands of terrorists could ruin our day. Do we have the knowledge, strategy and will to secure these? Second, post Assad Syria is going to be a mess. It will require a serious peace keeping force. Who is going to provide that force? Post script: inspite of the broad consensus that the US must act, the private conversation was that we would not act. It is unclear to me why this is the case, but several people (Dems and Repubs who had spoken in favor of action) said they didn't think it was in the cards.

Richard Falkenrath: The US has the power to depose a very bad guy – Assad. Should we do that? Proposition: Don't do it because:

1. We have a strategy and its working. BS. It is a failed strategy.
2. Is there a reasonable prospect of success if we decide to depose – yes.
3. The costs are acceptable – yes
4. Do no harm. That would be at risk if we decide to depose
5. Legaility. Can be handled
6. Timing. Election season is problematic.

Richard's conclusion is we should have a policy to depose Assad.

Ann Marie Slaughter (ex Obama) . Depose but with military light. Intel and tailored arms to opposition who hold territory in return for pledge of no revenge killings. Multi pronged incrementalism. US is still missing one element. We have no overt public relations program. Why aren't we working a full fledged PR

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campaign w our allies? We should be standing with Syrian people in a more public way.

General Hoss Cartwright . We need to inventory the tools we have and then define our actions. Stop supplies to Assad; provide command and control assets (radios) to rebels; provide intelligence; develop knowledge and planning for securing WMD. We need to answer the above questions as part of defining our policy. Intel and arms are happening. We also need armed observers to know what's going on; need safe harbors that have a protective flank in order to provide good logistics and supply. Syria is far more difficult in this regard than was Libya. We need strategy and structures to prevent mass atrocities. Will we put boots on the ground.

Steve Hadley (ex Bush): Need to assure ourselves and the Syrians that we are aligning with the Syrian people. Forget the UN. This will send a critical message to China and Russia that they don't have a veto on US policy. Gain legitimacy by aligning with Turkey and others. Send a strong and clear message to business and military community in Syria that we are going to see this through and they should ditch Assad now.

Bill Perry: I support near term intervention, but not boots on the ground. Support enforcing no fly – no drive zones. Bring Turkey into operations. US must participate with its unique capabilities (e.g. AWACs) and let others participate with less unique assets (supplying arms etc.). There is no prospect of UN cooperation. But a coalition of the willing (UK, Arab League) will give us the legitimancy we need. Very good prospect of military success. Reasonable prospect of success on humanitariean side. We should act, but in a fashion that has most of the action on the backs of the rebles.

Madeleine A: Must intervene. How do we structure intervention. Didn't use UN in Kosovo and shouldn't use it now.

Jim Steinberg (ex Obama). Must be certainty in everyone's mind as to outcome (ie.that Assad is out). Take nothing off the table.

Dennis Ross (ex Obama): Costs and consequences of intervention have been discussed, but most of these consequences and costs will come to fruition whether we go in or don't go in, therefore we should go in and impact the outcome. Reach out to KSA and Alawites. Don't dither over analysis.

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Zalikow. Arms assistance can be had elsewhere. More interesting is to supply things that we are uniquely able to supply (intel) and use that as leverage for post war Syria. Nuclear Iran is our primary objective. Look at all strategies in Syria through that prism.

Perry: Going into Syria will not weaken Iran's resolve to get nukes, but it will send the message that the Admin is willing to act militarily. Not going into Syria will send the opposite message and that is very dangerous.

Indyk. Don't ditch UN. Need them for post war. Need them for Turkey. Put pressure on Russia and then be prepared to go ahead without UN, but not yet.

Madeleine. Not going to UN for intervention does not preclude going to the UN later.

Feavor (ex Bush). Iran is THE issue. Whatever we do in Syria cannot feel like a quagmire. What we do in Syria will affect the recently announced 'rebalancing to Asia'. We cannot secure WMD without boots on the ground.

Meghan O.

1. Iran's reaction to fall of Assad. Look to 2007 actions agains Iran. Didn't have Iranian 'pay back' rather, Iran slowed down its nuke activity
2. Post Assad, need a peace keeping force. That will be critical. Post assad Syria will be very, very unstable. Turks will look to stabilize their kurd situation. Iran will adjust strategies towards Syria etc.

Ignatius We need to speak to Syrian people to let them know we are active. Population movements towards sanctuaries (Alawite sanctuaries, Sunni Sanctuaries etc.) will trigger atrocities.

Kahl. The fall of Assad may cause Iran to increase their nuke efforts. Do not lose focus on Iran.

Green. Inaction will have serious negative consequences. It will be a measure of our will to act by friends and enemies.

Israel: the big loser

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TJP summary. Syria Iran is a game changer for Israel which requires them to completely rethink their threats, opportunities, strategies and interests. They can hunker down until more clarity or they act (big or small). There is a feeling that Israel has some acts they can take that would improve their positioning. Iran is the most immediate and big issue. Cannot have an Iran with nukes. Will lead to proliferation and significantly increased probability of nuclear event. Israel cannot sit by.

Dennis Ross, Jane Harmon and Walter Isaacson.

DR: Syria is most secure border that Israel has. Syria is unraveling is very significant. WMD could go to terrorists. Everyone should share concerns about Syria's WMD. Hezbollah loses supplier, but unraveling of Syria has huge consequences for Jordan. Bibi is sensitive to Jordan issues. We need to have a very serious conversation with Bibi. (does Obama have the credibility reserve to have that conversation).

Jane H: Israelis misplayed this. They encouraged us not to play in Syria. They failed to anticipate Arab Spring and its consequences. Iran needs to be our focus. US narrative on ME is lost. So is Israel's.

Walter: What effect on Israel : Palestine issues. Israel: Turkey issues. Will Israel think big? Can Israel coalesce parties around a solution to Iran issue. Can they do this by agreeing to a Palestinian solution.
DR: Now would be a moment for Israel to take a brave initiative with Turkey. Having an Islamic country as an ally may give cover to other Islamic countries. Israel and Turkey have common interests in Syria. This outcome is possible, Bibi needs assurances on Turkey's response to an Israeli apology.

Jane. Maybe rise of Islamists in Egypt has some good aspects. If Muslim Bro keeps treaty (w Israel) then you have an Islamic country owning a treaty with Israel.

DR. Muslim Bro is very busy with domestic issues. But let's remember who they are. Morsi sent letter to Shimon Perez. Perez said thank you and asked Morsi if Israeli's could take letter public. Morsi said yes, it was written with that in mind. Perez made it public, Egyptian Muslim Bro got angry so Morsi denied he had ever sent a letter. Tunisia's Muslim Bro are drafting a constitution that makes it criminal to support a peace with Israel.

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Indyk. Israeli public believes that they have no Arab partner w whom they can negotiate a peace. Syria reinforces notion that Israel should not take risk when regimes are fragile.

DR. Sinai is flashpoint w Egypt. Admin has had a very meaning? Palestinian issue is not key. Wasn't art of Islamic awakening, but it is not insignificant. Demographics compel 2 state solution. Too much distrust between Israel and Palestinians. Steps that each could take to move towards each other (e.g. Israel offers money to any settler who leaves West bank.

Iran

TJP summary. Discussions suggest that it is more likely than not that there will be a military attack on Iran in next 18 months. That is going to be very ugly. Interestingly, polls suggest population and IR academics would not support such an attack. Both Pawlenty – representing Romney, and Podesta – representing Obama, presented a logic that – if followed, would lead to war with Iran. Logic sitting in Aspen is fine, pulling the trigger is another matter.

Graham Allison. Two terrible choices, we should look for a third way.
Steve Hadley. Iraq was not a war of choice, it was a war of last resort when all other options failed. Aug, 2013 we will be out of options on Iran. We do need to think hard about our options and the sequencing of those options. Think in terms of a f
family of options and the methods of moving through them.

1. Stop the clock, buy time. Iran has rejected this.
2. Put more on the table. More for more.
3. Secure the big agreement that ends dispute. Could the US agree to allowing Iran to have a limited amount of LEU – say 3-5% enriched unranium.
4. If all of the above fails - what to do? US should try to establish a status quo w redlines where, if Iran tries to break out, we have time to attack. We would also want to understand Iran's redlines.
5. Long term sanctions, pressure and isolation to try for regime change.
6. Limited military strike.
7. Big strike

Bill Perry: a military strike by US or Israel will have serious, unknowable and unintended consequences. Therefore attack is very unattractive. Iran is close to a

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virtual nuke. They will be there by June, 2013. If Iran gets the bomb this will make a mockery of US and UN. Lead to copy cats developing nukes – especially KSA. It would be the end of nuclear non-proliferation and significantly increase chance of nuclear event. This is very, very unattractive. We should explore third way between now and end of the year. Diplomatic path would have to be coercive diplomacy. Sanctions are hurting, but we only have 6 months and that is not enough time. Must convince Chinese and Russians of consequences of a military strike. We should allow some (5%) enrichment with inspections. This gives Iran a way out.
If none of the above works, US should strike. We could launch a devastating strike (Israel does not have that ability). (nighttime, B-2, deep penetration bombs). First strike should be limited to nuke facilities. US strike will be more effective militarily and narrow the political consequences.

Energy and GCC
TJP Summary: Write up

Meghan O: ME may not be able to supply quantity of energy that people are assuming. 2020-2030 most predictions assume increasing oil supplies from ME. Moving world supply coming from ME from 30 to 38%. Most increase scheduled to come from KSA and Iraq. Are these reasonable assumptions. Oil is there, but politics is problematic. 1. Internal stability is in question. Following a revolution it is very slow to rebuild production; 2. Reinvestment rates will decline. KSA was planning to move from 12.5mm bbl to 15 mm bbl with a $10 bn investment. That has been cancelled in deference to social needs. As there is a push for democracy, the autocrat needs to increase social spending. As population (and joblessness) increae, autocrat needs to increase social spending. Aversion to FDI. We are likely to see supply from ME decline. Iraq and Iran could take up some of the slack. However, we have an American Energy Revolution in play. From 2006 to 2012 we have gone from importing LNG to finding 100 years supply of gas. Shale is also producing oil. Bakkan field has gone from 187k bbl/day to 750k bbl/day in 5 years. By 2020-2030 they exepect Bakkan to produce 1.3 mm bbl/day (same as Libya). Add Gulf of Mex and by 2020 US will be producing 6.7mm bbl/day. Harvard is estimating 11mm bbl/day. Similar situation in Brazil and Mexico.
Economic benefits will be great. Political benefits will be there, but we will still have vital interests in ME. 1. Gas won't substitute for oil; 2. We have other interests in ME (geography, heart of Islamic fundamentalism etc.); 3. Oil is a global commodity. Disruptions in ME oils supply will affect US; 3. KSA still has

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spare capacity (Iraq is trying to develop same); 4. Who has strategic influence over ME oil will matter; 5. Oil and global GDP are connected. In some ways, our energy policy may become more difficult. One big question is whether China will continue their policy of non-intervention in internal affairs of other countries (e.g. KSA goes Islamic). KSA's response to Arab Spring was to double the pay of everyone in the military.

Gfoeller. KSA social welfare was $20/bbl per year, now $85/bbl, projected at $300/bbl in 2030. This means they will have to go to taxes and that will trigger social reaction. Arabs have already translated "no taxation without representation". Major political shifts are occurring and major financial stresses are predictable. Free health care and education are untouchable. Arab Spring will come to KSA. AQ was easy to fight because you could identify bad guys and kill them. Could fight their ideology. Arab Spring has no leaders, no ideology. They want everything: money, power and vote. When will KSA get nukes? Realignment of national security team (Bander plus 2 other major changes suggest a major focus and potential big deals in the offing. Is this about Iran or Russia and china or Arab Spring or something else.

Mehgan : Power of being energy indep has consequences. Being a major consumer has leverage. KSA taking oil off market will still be meaningful. Will China retain its policy of non-interference in internal afairs when faced with Islamist take over of KSA?

US Policy Going Forward

TJP Summary: see write up

Bob Blackwill:
Pivot to Asia does not relieve us of serious interests we have in ME. We announce a pivot to Asia when:
Iran – moving to nukes
Egypt – Mubarak is in a cage and new govt could be seriously anti-US
Syria – disintegrating
Iraq – could fragment
KSA – ripe for revolution
ME peace process is dead
Israel – at more serious risk than in living memory

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Afpak – a mess

Obama has made no big mistakes in a revolutionary environment, but no victories either. No big bets other than surge in Afghan – which we lost; and killing Osama which we won. Obama's approach is to take no risk, increment into a situation and hedge the position. No big bets. Maybe that's right for these times but look at Truman with Marshall Plan; in '73 ME war Nixon used it to push Soviets out of ME which gave us 30 years of dominance in ME. Bush (I) pushed to integrate Germany and Poland into NATO – huge bet and we won. Big bets come from the top down. Not interagency BS. Before Malta summit, Reagan WH had given him 18 initiatives to raise with Gorbachev. 2 days before summit, Reagan decided to pass them by cabinet. Held cabinet meeting and every time an idea was surfaced, the relevant cabinet member tried to kill it until it had been vetted by his bureaucracy. After three went this way, Reagan ended the meeting. Presidents make big bets, administrations don't. Here are some ideas:

1. Iran – next president will be forced to make a big bet.
2. Egypt – Importnace is clear. Our response has been pitiful. Small and irrelevant. Obama is letting his team over analize and organizational dynamics are pushing safe and no risk options. Only a president can overcome organizational dynamics. Not all big bets are worth taking.
3. Syria – Pattern has been to hesitate and equivocate. Some of our allies are joking that we will implement a no fly zone … 10 feet at a time. We should break the Syria - Iran link with the full force of the US. Slow and cautious will be damaging to our interests in Syria and Iran.
4. KSA we should consider guarantying their integrity.
5. Iraq – NAM bring it towards a break up. Bet on Alawi
6. ME peace process – we need a big bet.

Incrementalism won't work. Activities threaten our vital interests. No big bets can succeed if the US has a policy of leading from behind.

Strobe Talbott

Big bets should be hedged and designed to change when circumstances change on the ground. Obama doctrine is not concise and that's deliberate and smart in a very dynamic regions. Obama is an anti-doctrine doctrine.

Scowcroft

We need a central strategy. Currently we are all tactics and no strategy. Pivot to Asia, responses to EU financial crisis etc are all tactics. The Westphalian structure is under attack. Industrialization led to Westphalian state. Globalization is creating

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forces against the state. We need a strategy to reconcile these huge forces. Global warming is a global threat that may dwarf all of the above. We need a strategy

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From: Tyler Shears [redacted]
Sent: 7/16/2014 5:56:14 PM
To: jeffrey E. [jeevacation@gmail.com]
CC: Christina Galbraith [redacted] Richard Kahn [redacted]
Subject: Re: Shears Update

Importance: High

yes agree

result got worse with recent negative press, clinton, as we discussed

we were down to 1 negative (forbes) before that - Christina can confirm this.

It will get back to 1 and then 0 so long as negative things stop coming out. if new negative keeps coming out it really dismantles much of our effort... especially when it involves an ex-president

no excuses here i'm not pleased with where it is at and am still working to make it happen

On Wed, Jul 16, 2014 at 1:25 PM, jeffrey E. <jeevacation@gmail.com> wrote:

Results still very bad

On Wednesday, July 16, 2014, Christina Galbraith [redacted] wrote:

Hi Tyler,

The social media sites are constantly updated: LinkedIn, Facebook, Twitter, google +.

I'll be in touch later today re: feature article.

Could you put a site map into the Net site.? This helps rankings. Also could you add it to google analytics using Jeffrey's gmail account? This allows me to monitor it's progress and index it periodically.

I'll call you later. Thanks,
Christina

Christina Galbraith
[redacted]

On Jul 16, 2014, at 12:01 PM, Tyler Shears [redacted] wrote:

Christina,

http://jeffreyepstein.net/ - Site is live and Share This shows up when you scroll down page (look for top menu bar)

I expect this to rank swiftly - I'm sending a list of all properties we need to point over in this direction with suggested anchor text.

Do you have the topic right I'm doing a placement around? I'm going to have a few articles spun-off from it and put into lower tier publications as well.

I want to push HARD in August with a premium placement, fresh link pushes, and some supporting placements. We should be able to get down to 1 negative by mid-September with a goal of being clean by end of year (unless new negative press comes again...)

For social media updates... Are you currently doing these? I'd like to look at how often we are doing them and trying to link to our own content more often.

I'm also exploring if we can get this new site included in Google News and maybe syndicate other important AI news through it... would give us free google news spots when we need them..

JE - There's 3 negatives today and that's 3 too many. There will be progress please continue to be patient as you have been.

Best

Tyler

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Subject: Re:
To: "jeffrey E." <jeevacation@gmail.com>

Gov is not jewish

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reid or governor

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"girls?",, careful i will renew an old habit, . this week, thiel, summers,bill burns, gordon brown, jagland, (council of europe and nobel chairman). mongolia pres , hardeep puree (india), boris (gates). jabor (qatar). sultan (dubai,), kosslyn (harvard), leon black, woody. you are a welcome guest at any..... also if you think there are interesting people in town, everyone here for climate summit , clinton ,security council, holy shit im on [redacted] for next 30 minutes

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Harder to say no for sure.

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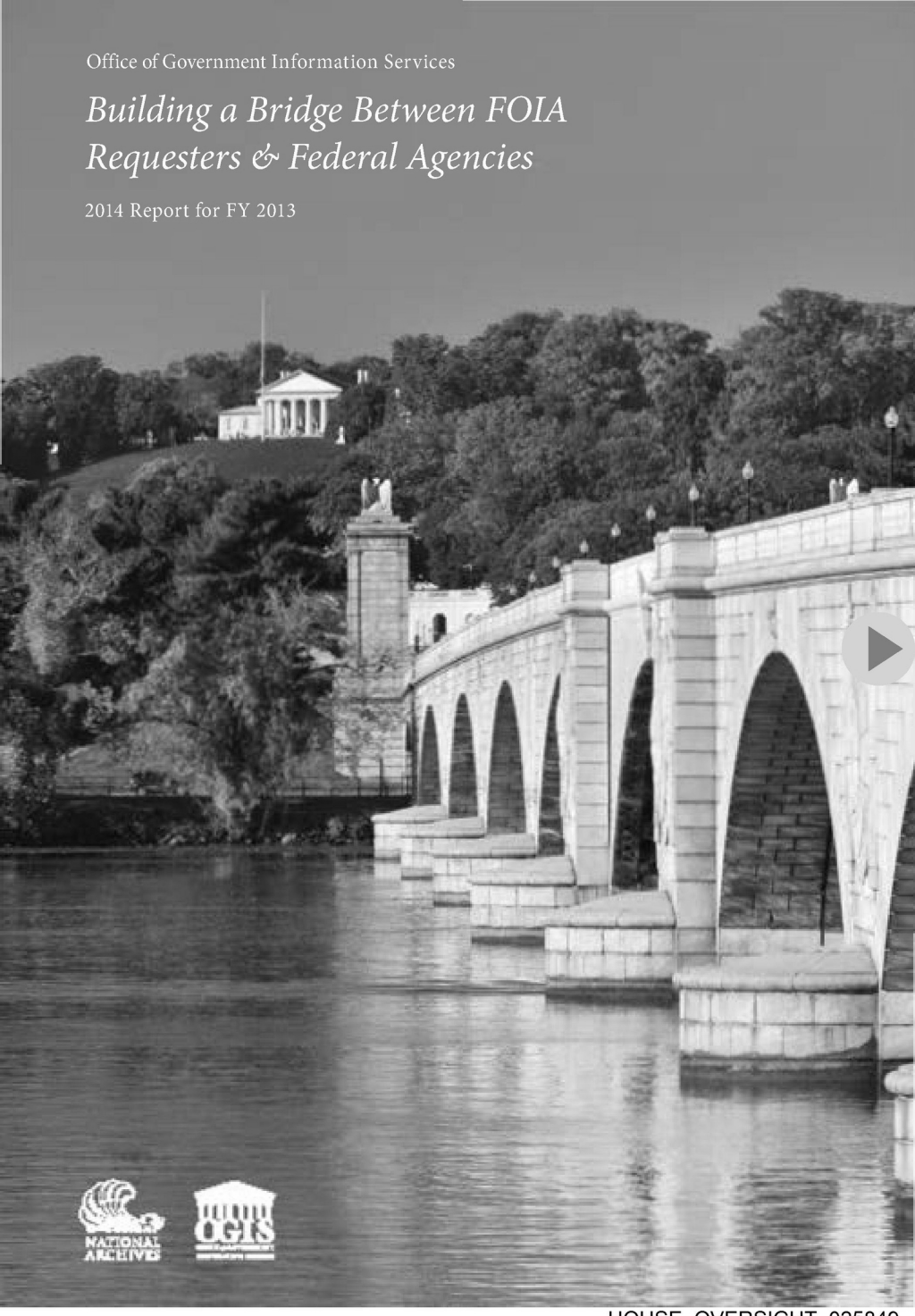
Office of Government Information Services

Building a Bridge Between FOIA Requesters & Federal Agencies

2014 Report for FY 2013



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2013

Office *of* Government
Information Services

Building a Bridge Between FOIA Requesters & Federal Agencies

2014 Report for FY 2013

Cover image: Orhan Cam/Shutterstock.com

Memorial Bridge, Washington, DC

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Message from the Director

I am pleased to present the fourth annual report from the Office of Government Information Services (OGIS) detailing our fiscal year (FY) 2013 activities. We are extremely proud of all that OGIS has accomplished in our four years of operation. We have put Congress's novel idea—applying Alternative Dispute Resolution techniques to an often highly adversarial process—into action. We have assisted thousands of Freedom of Information Act (FOIA) requesters from across the country and around the globe, along with dozens of agencies, in resolving disputes, some of which would have otherwise led to costly litigation. We have worked with agencies to better fulfill their responsibility to provide good customer service, resolve disputes with FOIA requesters, and promote compliance with FOIA.

Demand for OGIS's services is high. Requests for assistance in resolving FOIA disputes greeted me the morning the office opened four years ago. In FY 2013, the number of incoming cases jumped 40 percent from the previous year to more than 500 cases; at the same time, we closed nearly 500 cases—also a 40-percent increase from the previous year—and handled hundreds of inquiries by telephone and email.

Much work remains for our innovative program. While we have carried out Congress's mandate to review Federal agency FOIA policies, procedures, and compliance in several ways, we would like to implement a more robust review program. OGIS's mission is broad, and like many government programs, we

must make difficult choices about how we carry out our mandate as demand for our services increases.

We look forward to building on our first four years and continuing our service of helping anyone—requester or agency—with any part of the FOIA process and improving the administration of FOIA.

You may notice that this report is slimmer than our first three reports. Please visit our blog, The FOIA Ombudsman: Information and Advice, where you'll find many of the items we included in past reports.

Sincerely,

Miriam Nisbet

Resolving Disputes

OGIS's mediation services to resolve Freedom of Information Act (FOIA) disputes, as mandated by Congress, comprised the bulk of OGIS's work in FY 2013, as in the previous three years. Requests for assistance awaited Director Nisbet when she opened the Office, and early on, OGIS decided that demand for mediation services dictated that the Office commit to assisting anyone asking for help with FOIA.

From the start, OGIS has served as a confidential and informal information resource, communications channel, complaint handler, and dispute resolver. OGIS strives to be an advocate not for the requester or the agency, but for an effective FOIA process that works as intended.

In its first three years, OGIS handled an average of roughly 350 cases a year. The number of requesters seeking OGIS

OGIS's caseload soared above 500 for the first time in FY 2013. (NARA Identifier 6443896)

assistance swelled in FY 2013, the Office's fourth year. OGIS opened 508 cases, a 40-percent increase from FY 2012 when OGIS opened 361 cases. OGIS also handled more than 230 inquiries—telephone calls and emails yielding quick responses that did not require cases be opened—in FY 2013. OGIS closed 497 cases in FY 2013, a 40-percent increase from FY 2012 when the Office closed 354 cases.

OGIS cases involve issues that arise at various points in the FOIA process. In some cases, requesters attempt to learn a request's estimated date of completion as required by FOIA, 5 U.S.C. § 552(a)(7)(B)(ii), but are not able to obtain it from an agency. In other cases, requesters disagree with an agency's application of FOIA exemptions or an agency's decision with regard to FOIA fees. In all cases, there is some issue that benefits from OGIS-facilitated communication between the requester and the agency.

OGIS encourages requesters and agencies to communicate through whatever means work best for them. (NARA Identifier 6479577)

OGIS's mediation services also include providing Dispute Resolution Skills training to agency FOIA professionals. The goal of training is not to turn agency

2007

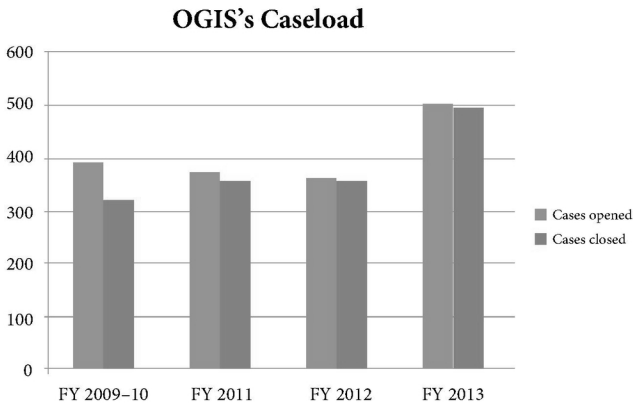
December 14
U.S. Senate passes by unanimous consent the Openness Promotes Effectiveness in our National (OPEN) Government Act of 2007, which includes a provision creating the Office of Government Information Services (OGIS) at the National Archives and Records Administration (NARA)

December 18
U.S. House passes the OPEN Government Act of 2007 by a voice vote

December 31
President George W. Bush signs the OPEN Government Act of 2007; it becomes Public Law 110 -175

Patent drawing for watch case (NARA Identifier 7451700)

FOIA professionals into mediators, but to give them Alternative Dispute Resolution tools to incorporate into their FOIA work and help them comply with the statutory requirement that FOIA Public Liaisons assist in resolving disputes, 5 U.S.C. §§ 552(a)(6)(B)(ii) and 552(l). In FY 2013, OGIS offered three sessions of Dispute Resolution Skills training—two sessions in December 2012 and May 2013 that included participants from several agencies and a Department of Labor–specific session in June 2013.



2009

September 8
NARA opens OGIS, with Miriam Nisbet as its first director

September 9
OGIS opens its first case, which involves a delay

September 30
Director Nisbet testifies before the Senate Judiciary Committee hearing on "Advancing Freedom of Information in the New Era of Responsibility"

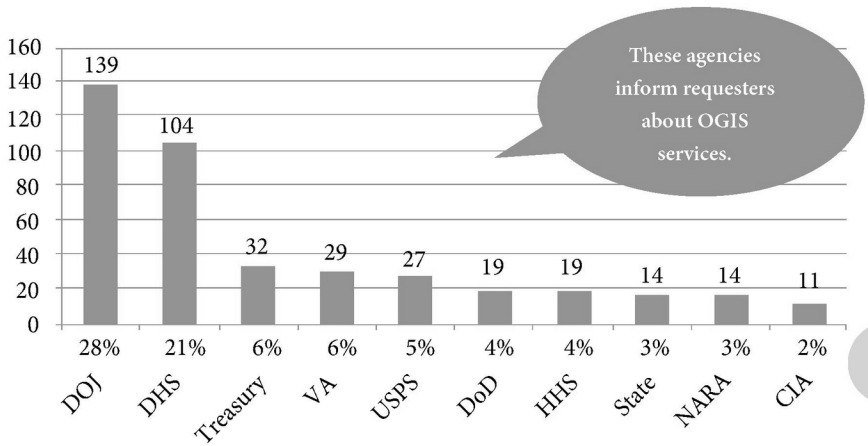
October 13
The first staff member joins OGIS

October 20
The OGIS website goes live

October 26
OGIS's staff increases to three

November 10
OGIS adds a case-tracking log to its website allowing customers to check the status of their requests for OGIS assistance

Top 10 departments & agencies involved in FY 2013 OGIS cases



2009

November 22
OGIS's staff increases to four

December 6
OGIS's staff increases to five

December 7
OGIS and the Department of Justice's Office of Information Policy (OIP) co-host a meeting for FOIA Public Liaisons to discuss recent changes to FOIA

2010

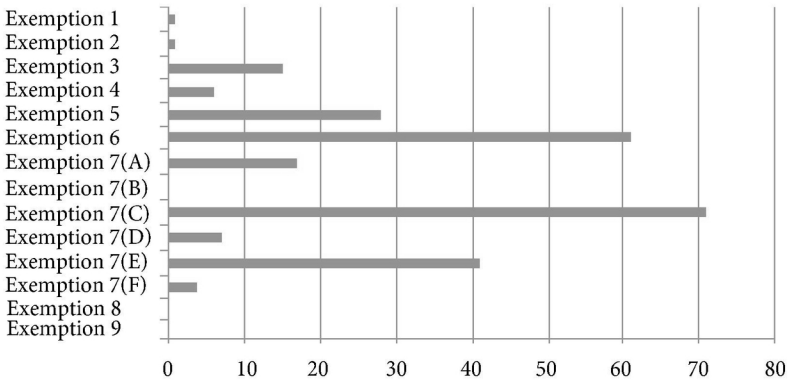
January 21
OGIS opens its 50th case

February
OGIS joins other agency representatives to discuss the feasibility of a multiagency FOIA portal

February 7–10
OGIS staff present at the American Society of Access Professionals (ASAP) National Training Conference

March 1
OGIS's staff increases to six

OGIS FY 2013 cases by exemption



2010

March 9
OGIS opens its 100th case

March 15–19
OGIS celebrates Sunshine Week

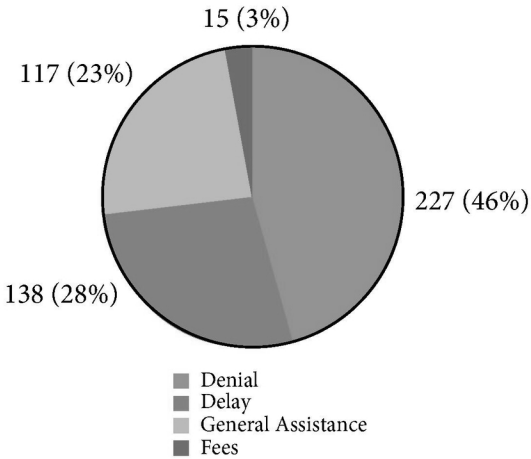
March 18
Director Nisbet testifies before the House Oversight and Government Reform's Information Policy, Census, and National Archives Subcommittee hearing on "Administration of the Freedom of Information Act: Current Trends"

March 23
OGIS holds its first training session for FOIA Public Liaisons in collaboration with the Federal Energy Regulatory Commission (FERC) and the Department of Justice's Office of Information Policy (OIP)

April 18–23
Director Nisbet represents OGIS at the Chilean Council for Transparency

April 29
OGIS opens its 200th case

OGIS 2013 cases by category



2010

May 10
OGIS's staff increases to its current size of seven

July 14
OGIS opens its 300th case

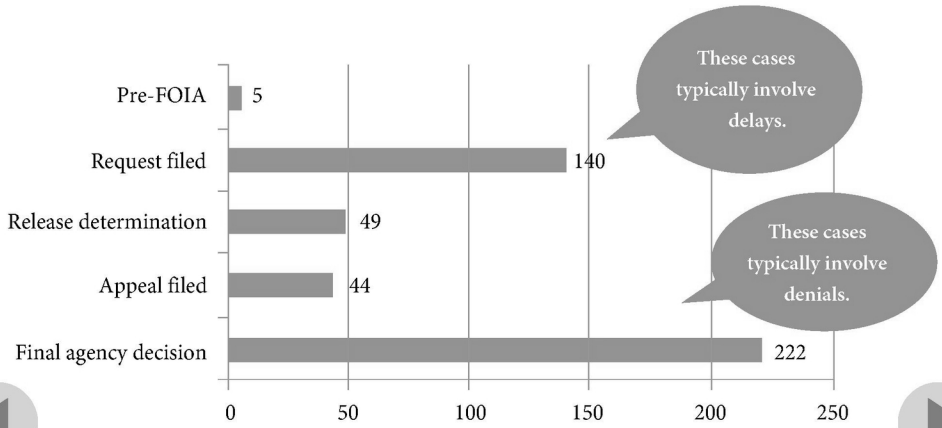
August 24
Director Nisbet represents OGIS at the 7th National Transparency Week Conference in Mexico City, Mexico

December 6
Director Nisbet participates in the Council of Governmental Ethics Laws annual conference
OGIS opens its 500th case

December 10
OGIS submits its first comments on agency FOIA regulations

Sailor adjusts clock. (NARA Identifier 6422494)

When in administrative process requesters came to OGIS (FY 2013 cases)



2011

March 11
OGIS launches its blog "The FOIA Ombudsman: Information and Advice"

March 14–18
OGIS celebrates Sunshine Week

March 15
Director Nisbet testifies before the Senate Judiciary Committee hearing on "The Freedom of Information Act: Ensuring Transparency and Accountability in the Digital Age"

March 17
Director Nisbet testifies before the House Oversight and Government Reform Committee hearing on "The Freedom of Information Act: Crowd-Sourcing Government Oversight"

July 7–8
Director Nisbet presents at the United Nations Educational, Scientific and Cultural Organization (UNESCO) Seminar on Transparency in Brasilia, Brazil

Measuring Success

From OGIS's start, the Office has faced enormous challenges in measuring its success. While litigation typically results in judgment for one party or the other, the success of mediation services depends on compromise by the parties, whose participation is voluntary. Experience has taught us that OGIS's success may not rest in the *outcome* of mediation services, but in the *process* of providing mediation services.

Mediation is a voluntary alternative dispute resolution process in which a neutral third party, a mediator, assists disputing parties in reaching a mutually agreeable resolution. Mediators do not direct outcomes or resolutions to a dispute; the outcome of mediation depends on the extent to which the parties choose to engage in the process and themselves agree to an outcome. There may not necessarily be a "correct" answer; rather, the disputing parties may choose to agree to a compromise that both parties can accept, or they may choose to not compromise at all. As such, the *outcome* of mediation is not an effective way to determine the success of OGIS's mediation services because OGIS does not determine the outcome. However, OGIS does control

2011

August
OGIS facilitators become certified in Federal workplace mediation by Northern Virginia Mediation Service

September
Construction of multiagency FOIA portal begins

October 2–6
Director Nisbet presents at the International Conference of Information Commissioners in Ottawa, Canada

November 28
OGIS launches its online case management system, the OGIS Access System

December 7–8
OGIS staff presents at the American Society of Access Professionals Annual Symposium

the steps required to administer mediation itself, and the Office's success in mediation services can be more uniformly evaluated in that regard. The challenge of evaluating success of mediation services is not unique to OGIS or to the government—other ombudsmen struggle with the same issue.

The Government Accountability Office (GAO), which conducted an audit of OGIS in FY 2013, recommended that OGIS establish performance measures and goals for its mediation services that define the Office's success in handling mediation cases. The GAO recommendation, coupled with OGIS's experience providing mediation services, will inform OGIS's FY 2014 creation of performance measures and goals for the work OGIS does. That multifaceted work

One challenge OGIS faces is measuring its success. (NARA Identifier 6600378)

2012

March 12
Archivist of the United States David Ferriero joins Director Nisbet in welcoming guests to the National Archives to view the original Freedom of Information Act in observation of Sunshine Week

March 13
Director Nisbet testifies before the Senate Judiciary Committee on "The Freedom of Information Act: Safeguarding Critical Infrastructure and the Public's Right to Know"

March 21
Director Nisbet testifies before the House Oversight and Government Reform's Technology, Information Policy, Intergovernmental Relations and Procurement Reform Subcommittee hearing on "The Freedom of Information Act and Information Technology"

March 21–23
OGIS staff presents at the American Society of Access Professionals National Training Conference

includes interacting with requester and agency customers, and providing assistance, from answering basic questions about FOIA to facilitating communication between disputing parties to convening multiple agencies working on the same or similar requests.

2012

May 24
OGIS opens its 1,000th case

August 2–3
OGIS staff presents at the American Society of Access Professionals Summer School training

September 11
The Inspector General at the National Archives and Records Administration releases a report on OGIS as part of its routine examination of NARA offices

October 1
Online FOIA request portal, *FOIAonline,* goes live at six agencies, including NARA

December 4–5
OGIS staff presents at the American Society of Access Professionals Annual Symposium

Agency Review

OGIS also is tasked with reviewing agencies' FOIA operations and compliance.

OGIS reviews agencies' FOIA policies, procedures, and compliance in various ways. Our review work includes

- Providing Dispute Resolution Skills training to agency FOIA professionals to help them comply with the statutory requirement that FOIA Public Liaisons assist in resolving disputes, 5 U.S.C. §§ 552(a)(6)(B)(ii) & 552(l)
- Highlighting Best Practices for agencies and requesters
- Reviewing and commenting on proposed agency FOIA regulations
- Reviewing FOIA websites and template letters
- Working with agencies when the Office observes policies or procedures that are not consistent with FOIA law or policy, or that may differ from the practices occurring at other agencies
- Review of government and non-government reports on FOIA activity and compliance

2013

March 1

Director Nisbet discusses "Mediating FOIA Cases" with the mediators of the U.S. Courts of the District of Columbia Circuit

March 8

Archivist of the United States David Ferriero sends a notice to the 2,500 employees of the National Archives reminding them that FOIA is everyone's responsibility.

March 12

Archivist of the United States David Ferriero joins Director Nisbet in welcoming guests to view the original Freedom of Information Act, in observation of Sunshine Week

Director Nisbet presents to the U.S. House Transparency Caucus on "The Future of FOIA Reform"

OGIS has identified FOIA fees as an issue that warrants study. (NARA Identifier 6011228)

2013

March 13
Director Nisbet testifies before the Senate Judiciary Committee hearing titled "We the People: Fulfilling the Promise of Open Government Five Years After the OPEN Government Act"

May 3
Director Nisbet represents the United States at the Canadian Association of Journalists' observation of World Press Freedom Day in Ottawa, Canada

May 13–15
OGIS Staff participates in the American Society of Access Professionals National Training Conference

July 18
OGIS opens its 1,500th case

September 10
Government Accountability Office (GAO)

In FY 2013, OGIS began looking at several specific issues regarding agency policies, procedures, and compliance, including FOIA fees and fee waivers, and the ways agencies process records related to immigration matters. OGIS also began a "Preventing Litigation" project, working with agencies on ways to reduce their chances of a request resulting in litigation.

GAO recommended that OGIS establish a time frame for completing and implementing a methodology that defines, among other things, the scope, schedule, criteria, and evaluation questions for reviewing Federal agencies' FOIA policies, procedures, and compliance. OGIS had already begun creating a draft assessment framework, which will form one piece of OGIS's expanded review methodology.

GAO's recommendation mirrored that of the National Archives and Records Administration's Inspector General (IG), which conducted a routine review of OGIS in FY 2012 to determine whether OGIS was adequately established and meets Congress's intent. The IG report, completed in September 2012, found that OGIS meets the requirements set forth in FOIA with regard to both review and dispute resolution. The IG found that "additional resources could significantly improve OGIS's ability to address and meet its mission."

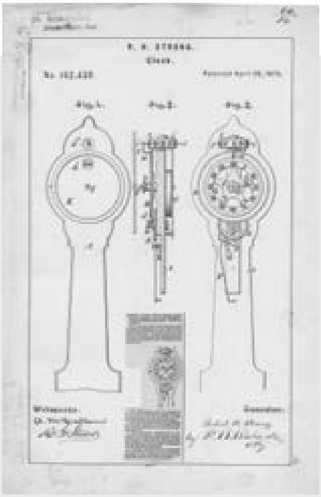
In response to the GAO recommendations, NARA concurred with both recommendations and will work to address them in FY 2014.

2013

releases report on OGIS along with two recommendations

September 18–20

Director Nisbet represents the National Archives and Records Administration at the biennial International Conference of Information Commissioners in Berlin



Patent drawing for R.H. Strong clock
(NARA Identifier 7451701)

OGIS RECOMMENDATIONS FOR IMPROVING FOIA

FOIA also directs OGIS to make recommendations to Congress and the President to improve FOIA. In April 2012, OGIS released five recommendations that the Office compiled in its first years. For example, OGIS encouraged agency participation in *FOIAonline*, the Federal Government's first multiagency FOIA portal. As a founding partner in *FOIAonline*, OGIS continues to support the portal's improvement of services and expansion of partners.

In March 2013, OGIS issued four additional recommendations for improving FOIA.

1. IMPLEMENTING DISPUTE RESOLUTION FOR FOIA CONFLICTS

OGIS expanded its dispute resolution program to connect FOIA professionals, legal counsel, and dispute resolution professionals to embed dispute resolution firmly into an agency's FOIA process. The goal is to identify issues that are ripe for partnership and explore ways to work together to prevent and resolve disputes as well as avoid litigation.

In 2013, OGIS identified several agencies, including OGIS's parent agency, NARA, to help to pilot a project designed to prevent and resolve disputes as well as avoid litigation. OGIS has begun meeting with each of these agencies to determine the types of FOIA disputes that result in litigation and to explore ways to incorporate dispute resolution into their FOIA processes. (OGIS also has worked with the Administrative Conference of the United States to promote research into FOIA litigation to inform this process.) OGIS will continue to pilot this project in FY 2014.

2. REITERATING THE IMPORTANCE OF FOIA

OGIS routinely encourages all Federal agencies to remind their staff members of the importance of FOIA and that FOIA is everyone's responsibility. During Sunshine Week 2013, Archivist of the United States, David Ferriero, sent such a message to NARA staff. Other agencies, including the Departments of Energy and Transportation, sent similar messages throughout the year. OGIS continues to encourage all agencies to remind their staffs of the importance of FOIA and offers the Archivist's message as a model.

3. EXAMINATION OF FOIA FEES

OGIS continues to observe that fees and fee waivers remain a persistent point of contention administratively and in litigation. OGIS began examining FOIA fee issues by reviewing its own fee-related cases over the past four years and identifying common themes. OGIS intends to continue this project in FY 2014 by working with stakeholders from both inside and outside government to discuss fee issues.

4. IMMIGRATION RECORDS AND FOIA

Over the past four years, OGIS has observed a large increase in our cases related to requests for immigration-related records from individuals who are not U.S. citizens or lawful permanent residents. OGIS began communicating with agency officials who receive these types of requests, as well as with some of the requester organizations and representatives who file them. OGIS continues to work with agencies to streamline the process and to identify issues related to first-party immigration-related records requests that will inform OGIS stakeholders as well as Congress and the President.

LOOKING AHEAD

In its fifth year, OGIS will continue to offer mediation services to requesters and agencies; review agencies' FOIA policies, procedures, and compliance; and identify additional areas for improvement in the FOIA process through recommendations to Congress and the President. OGIS will also work to implement GAO's recommendations of creating performance measures and goals for its mediation services, as well as to build on its review program.

SPECIAL THANKS

OGIS thanks the 113th Congress for its support of the FOIA Ombudsman's office: Senate Judiciary Committee Chairman Senator Patrick Leahy and Ranking Member Senator Chuck Grassley, and their personal and committee staffs, particularly Lydia Griggsby; Representative Darrell Issa, chairman of the House Committee on Oversight and Government Reform, Ranking Member Representative Elijah Cummings, and Representative John Mica, chairman of that committee's Subcommittee on Government Operations, and their personal and committee staffs, particularly Krista Boyd and Tegan Millspaw; and Wendy Ginsberg of the Congressional Research Service.

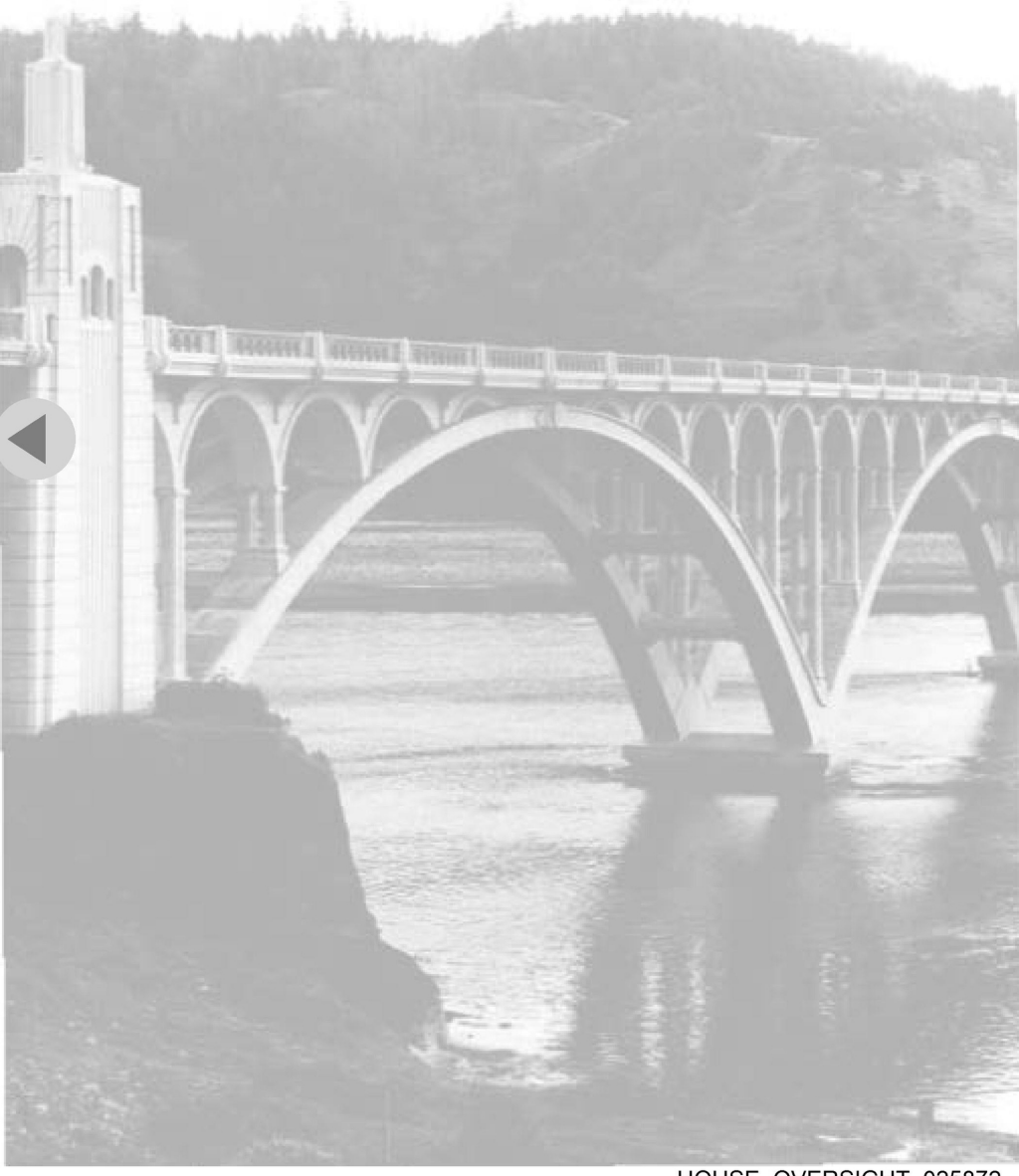
We extend a special thanks to our colleagues at the National Archives, including David S. Ferriero, Archivist of the United States; Jay Trainer, Executive Head for Agency Services; and National Archives General Counsel Gary M. Stern and Assistant General Counsel Jean Whyte for their support of OGIS's work.

We also thank Susan Ashtianie, Susan Cummings, and Mary Drak for their guidance and help with the GAO report.

OGIS sends "bouquets" of thanks to people inside and outside of Government.
(NARA Identifier 6728212)

We thank John Albanes, who was a student at the American University Washington College of Law, who spent a semester volunteering his time at OGIS.

Finally, we would like to thank the legions of FOIA professionals at agencies who work with us on a daily basis and the hundreds of FOIA requesters who seek our assistance.



From: David Stern[redacted]
Sent: 1/4/2015 8:31:36 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

Understood

On 4 Jan 2015, at 08:23, jeffrey E. <jeevacation@gmail.com> wrote:

pa people could showcase the lack of her credibility as in the story she details a dinner with clinton on my island down to where he was sitting howver it never ever happened CLINTON was never on the island the story , heli is all a total fiction. it could help shred her story.

--

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From: David Stern [redacted]
Sent: 1/22/2015 2:48:23 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

Understood

On 22 Jan 2015, at 15:46, jeffrey E. <jeevacation@gmail.com> wrote:

no, the govt opposed her joining, nothing more. the only thing that can be proven, is that her story re clinton is totlaly nade up, he was never ever there and the press shoudl be challenged to prove it. secret service records as wlell as local virgin isalds support will clearly prove he was never there, she detailed how he arrived, " black heli flown by ghislane . LIES sitting on my left lies. all bulshit and as it is the only non he said she said argument i think it should be stressed

On Thu, Jan 22, 2015 at 9:42 AM, David Stern [redacted] wrote:
Can you confirm Doe 3 has been thrown out of the case against the US gov to reopen ?

--

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Date: Tuesday, March 31 2015 03:23 PM
Subject: fact checking questions for New York Magazine story
From: Yablon, Alex [redacted]
To: jeevacation@gmail.com;

Hi Jeffrey,

Sorry for the phone tag. In case it's easier to respond by email, I have put my questions below. I'm at my desk and should be here until 5, and should be free on my cell phone after 6:30.

Best,

Alex
office: [redacted]
cell: [redacted]

-what is the square footage of your Manhattan home?
-do you work on a laptop from your dining room, with a large white board for notes and several pairs of reading glasses close at hand? Is the dining room windowless?
-do paparazzi often camp outside your home?
-did Michael once visit on the same day as a head of state who'd had a police escort?
-did you tell Michael about a dinner you'd hosted for six tech entrepreneurs who had a combined worth of several hundred billion dollars? When was this meal?
-Do you believe that there are now more people who possess Roosevelt or Carnegie-levels of wealth, the sort that can rival governments in influence? That these people face unusual challenges when entering philanthropy due to the sheer size of their fortunes? That the rich may know the business that made them rich, but not money itself?
-are you interested in what will happen to the $4.2 trillion possessed by the super-rich in 40-odd years once they have mostly died?
-Do you believe no superrich people want to give their entire fortunes to their children for fear of how it might affect them?
-do you advise the Bill and Melinda Gates Foundation on how to convince other billionaires to join their initiatives?
-did you volunteer to invest $20 million dollars in Michael's attempt to buy New York Magazine in 2004?
-do you believe the recent claims about Alan Dershowitz and Prince Andrew in relation to you are "ludicrous" ?
-When you met Michael for lunch in the West Village, was it the first time in 10 years you'd gone to lunch at a restaurant?
-Do you have a support staff of young women in their 20s and 30s? Have some of them worked for you for many years, through their own marriages and as they raise families? Have any of these employees been romantically involved with you? When Michael came to your home, had one of these women recently gone on an around the world honeymoon, which you arranged? Do they often travel with you to your other homes – in New Mexico, Paris, Palm Beach, and in the Caribbean? Do you maintain there is no quid-pro-quo in the relationships with these women? Do these women often socialize with the policy makers and businessmen with whom you often meet?
-Is your current girlfriend a dental student you met four years ago at a dinner party in New York?
-Did you date Eva Andersson Dubin? Have you known her for 30 years? Did you pay for her to go to medical school?
-when you take meetings in your Manhattan dining room, do you take your guests out to a Sabrett hot dog cart? Will the women who work for you accompany you?
-Did you invite Michael to sit in on a presentation by a group of quants? Are you looking for a group of quants who have developed promising investing algorithms, and do you plan to invest $5 million with each?
-during U.N. Week in late September, did you host a Sunday night discussion with Bill Gates, Mort Zuckerman, and Peter Thiel? Was anyone else in attendance? Were you discussing a possible Gates Foundation donor advised fund?
-Did you host Sheikh Hamad Bin Jassim and several others from Qatar? Do you know if the Sheikh has a home across the street from you in Manhattan? Did they talk to you about bribery compromising their bid for the World Cup? When was this? Did they bring a gift of chocolate made with pistachios grown on the Sheikh's farm?
-The morning after the Qataris came over, did you have a 9 AM breakfast with the attorney Reid Weingarten? Did you discuss his defense of CT governor John Rowland, the Qatari visit, and who controls ISIS? Did Weingarten believe Turkey was using ISIS as a proxy against the Kurds?
-After this, did you meet with Brock Pierce to discuss bitcoin? Did Larry Summers join this meeting?
-That evening, did you host Australian PM Kevin Rudd and Thorborn Jagland for a cocktail party? Did Jagland critique US foreign policy? Did you offer to fly him back to Europe on your jet?

-The following morning, did Ehud Barack come over for breakfast? Did he have an omelet? Did he defend both Putin and Obama?
-Was this followed by a senior White House official, whose name you don't want mentioned?
-Did you then meet with Elisa New to discuss supporting a poetry series and other sources of funding? Did you forcefully critique her proposed budget?
-After meeting with New, did you meet with the following: Hardeep Purie, Kairat Kelimbetov, Nathan Myhrvold, Martin Nowak, Richard Axel, Ron Baron, Josh Harris? Have you funded Nowak's program at Harvard with $30 million?
-did Michael join a lunch at your home with Bill Richardson?
-do you believe powerful people seek your advice because you're not affiliated with any institution, so you have no ulterior motives when giving them advice?
-is your Paris home a 10,000 sq ft apartment on Avenue Foch? Does it have a stuffed baby elephant in its living room? Is it meant as a reminder that elephants have 23 copies of tumor suppressor genes?
-Is the only book on your bedside table Lolita? Are you a fan of Nabokov?
-Did you tell Michael that he should make a particular $100k investment in early September? What was it?
-Were you born on 1953 in Coney Island? Was your father a Parks dept employee? Was your mother a housewife?
-were you the captain of the math team at Lafayette High School?
-did you study at Cooper Union for two years before beginning classes at NYU's Courant classes? After this, did you teach math at Dalton? Was this your first exposure to wealthy people? Did this teach you the rich had just as many problems as the working class, only theirs were caused by too much money rather than too little?
-Did Punch Sulzberger try to convince you to join the NYT from Dalton? Did you once drive with Sulzberger to his country estate in a wood paneled station wagon, while he talked on a phone to his chaffeur?
-did you meet Ace Greenberg through his children at Dalton?
-Did he say that given your reputation for intelligence and Jewish heritage, you should be working at Bear Stearns? Was this in the late 70s?
-Did you soon move to a penthouse at 66th St. and 2nd Avenue?
-During this time did you regularly attend Studio 54?
-Have you ever drank or taken drugs?
-Do you believe that in the 50's, finance was governed by personal relationships, but in the 70's, with the rise of derivatives trading, math began to dominate the field?
-Did you never want to get married to maintain your freedom?
-Did you become close to Jimmy Cayne?
-Did you leave Bear Stearns in 1982? Why? Did you take clients including Marvin Davis and Herb Siegel?
-Were you then dating Morgan Fairchild?
-During the 80s, did you frequently go to England where you befriended Robin Reach and attended country shooting parties and black tie dinners?
-Were you mainly interested in meeting smart people rather than amassing a personal fortune?
-do you think that billionaire-level worth creates worries that millionaires don't face? Does traditional wealth management not work for billionaires?
-Did you help governments that came after corrupt dictators reclaim stolen assets? Which governments?
-Did you begin advising and representing wealthy people and families regarding philanthropy during this period?
-Did you advise Steven Hoffenberg?
-Did you attend the 1994 Serpentine Gallery gala? Did you socialize with Princess Diana at that event?
-Did you meet Bill Clinton after he left the White House? Did this change the arc of your life?
-did you buy your Manhattan home from Les Wexner?
-Did you meet with Larry Page and Sergey Brin during your 2002 trip to the TED conference? Did they describe a plan to market Google bras with the o's as cups? Did they believe Google was a good company name because men would be drawn to the oo?
-Soon after this, did you have an assistant schedule a meeting with Michael for advice about the media as both Vanity Fair and New York Magazine were profiling you? Did you also ask Graydon Carter for advice, expressing doubts about increased public profile, to which Carter said you should have moved to a Queens 2 bedroom if you wanted to avoid publicity?
-Have you had a daily massage for several years? When you got your daily massage in Palm Beach, did the masseuses often come from parlors your termed "Jack Shacks" ? Did they sometimes have "happy endings" ? Would there be many different masseuses, recommended by word of mouth?
-After Palm Beach police started investigating you, did you ask Alan Dershowitz to come to Florida to provide you with legal help?

From: Shanson900 [redacted]
Sent: 4/23/2015 11:00:18 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Last nite was absolutely great -thank you

Importance: High

Putin
Feelings towards Obama and his actions with Syria
Syria
All beyond interesting

Sent from my iPhone

On Apr 23, 2015, at 6:21 AM, jeffrey E. <jeevacation@gmail.com> wrote:

what stood out the most for you?

On Thu, Apr 23, 2015 at 6:20 AM, Stephen Hanson [redacted] wrote:

> When are u free today
>
> Sent from my iPad

--

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From: Ehud Barak [redacted]
Sent: 4/23/2015 1:34:41 PM
To: Epstein Jeffrey [Jeevacation@gmail.com]
Subject: Fwd: What Iran nuke deal means for Israel: Ehud Barak

Importance: High

Hi Jeff
Bill Clinton 1994.
Food for thought.
EB

http://video.cnbc.com/gallery/?video=3000369298

Sent from my iPhone

From: Martin Weinberg [redacted]
Sent: 4/23/2015 7:43:47 PM
To: Jeffrey Epstein [jeevacation@gmail.com]; Kathy Ruemmler [redacted]
CC: Martin Weinberg [redacted] dkiesq [redacted]
Subject: Re: ATTORNEY-CLIENT PRIVILEGE

Importance: High

Privileged - Redacted

Martin G. Weinberg, Esq.

20 Park Plaza, Suite 1000

Boston, MA 02116

[redacted]

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On Thu, 4/23/15, Martin Weinberg [redacted] wrote:

Subject: ATTORNEY-CLIENT PRIVILEGE
To: "Jeffrey Epstein" <jeevacation@gmail.com>, "Kathy Ruemmler" [redacted]
Cc: "Martin Weinberg" [redacted] "dkiesq" [redacted]
Date: Thursday, April 23, 2015, 2:31 PM

Privileged - Redacted

Martin G. Weinberg, Esq.

20 Park Plaza, Suite 1000

Boston, MA 02116

[redacted]

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--- On Thu, 4/23/15, Cathy Alexander [redacted]
wrote:

> From: Cathy Alexander [redacted]
> Subject: Miles and Cathy Alexander and Little St
James island
> To: [redacted]
> Cc: "Miles Alexander" [redacted],
[redacted]
> Date: Thursday, April 23, 2015, 2:21 PM
>
> To: Martin Weinberg, Esq.
>
> Dear Mr. Weinberg:
>
> I understand that you are looking for
> information regarding whether former President Clinton
and
> former Vice President Gore and his then wife, Tipper,
ever
> visited Little St. James. I was the Island's
manager
> from 1999 through 2007 and lived on the Island with my
wife
> during that entire period. Regarding President
> Clinton, I will sign a sworn affidavit that I never met
the
> man. As far as I know President Clinton was never on
> the Island. He was never there while I was present
on
> the Island. If he had come to the Island while I was
> on holiday, my staff would have told me that President
> Clinton was on the Island while I was away. While I
> worked on Little St. James, I had been called back
from
> holiday many times to help when any guests visited the
> Island. So, if President Clinton had come to the
> Island while I was away, I would have been called back
to
> the Island for such a visit, and I never was.
> The same is true for Vice President Gore and his wife
> Tipper. I never met them and as far as I am
> aware were never on Little St. James during the entire
> period that I was the Island manager.

>
> Sincerely,
>
> Miles Alexander
>
>
> Sent from my iPad

From: Martin Weinberg [redacted]
Sent: 4/23/2015 8:11:57 PM
To: jeffrey E. [jeevacation@gmail.com]
CC: Martin Weinberg [redacted]
Subject: Re: ATTORNEY-CLIENT PRIVILEGE

Importance: High

Privileged - Redacted

Martin G. Weinberg, Esq.

20 Park Plaza, Suite 1000

Boston, MA 02116

[redacted]

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prohibited.

On Thu, 4/23/15, jeffrey E. <jeevacation@gmail.com> wrote:

Subject: Re: ATTORNEY-CLIENT PRIVILEGE
To: "Martin Weinberg" [redacted]
Date: Thursday, April 23, 2015, 2:44 PM

Privileged - Redacted

On Thu, Apr 23, 2015 at
3:43 PM, Martin Weinberg [redacted]
wrote:

Privileged - Redacted

MGW

Martin G. Weinberg, Esq.

20 Park Plaza, Suite 1000

Boston, MA 02116

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prohibited.

On Thu, 4/23/15, Martin Weinberg [redacted]
wrote:

Subject: ATTORNEY-CLIENT PRIVILEGE

To: "Jeffrey Epstein" <jeevacation@gmail.com>,
"Kathy Ruemmler" [redacted]

Cc: "Martin Weinberg" [redacted],
"dkiesq" [redacted]

Date: Thursday, April 23, 2015, 2:31 PM

Privileged - Redacted

Martin G. Weinberg, Esq.

20 Park Plaza, Suite 1000

Boston, MA 02116

[redacted]

==========

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--- On Thu, 4/23/15, Cathy Alexander [redacted]
wrote:

> From: Cathy Alexander [redacted]
> Subject: Miles and Cathy Alexander and Little St
James island
> To: [redacted]
> Cc: "Miles Alexander" [redacted],
[redacted]
> Date: Thursday, April 23, 2015, 2:21 PM
>
> To: Martin Weinberg, Esq.
>
> Dear Mr. Weinberg:
>
> I understand that you are looking for
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and

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> the Island for such a visit, and I never was.

> The same is true for Vice President Gore and his wife

> Tipper. I never met them and as far as I am

> aware were never on Little St. James during the entire

> period that I was the Island manager.

>

> Sincerely,

>

> Miles Alexander

>

>

> Sent from my iPad

--

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From: Sultan Bin Sulayem[redacted]
Sent: 7/24/2015 8:37:24 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Fwd: FDA Approved a Potent and Pricey Cholesterol lowering drug today

Importance: High

Have you heard of this colestrol

Jul 24, 2015 @ 3:23 PM **1,169** views

The FDA Approves A Potent And Pricey Cholesterol-Lowering Shot

Matthew Herper ,

Forbes Staff

I cover science and medicine, and believe this is biology's century.

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Loading...
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The Food and Drug Administration has approved Praluent, a new medicine to lower cholesterol in people who have established heart disease, for people whose risk of a heart attack or stroke is not being adequately controlled by existing drugs called statins.
It might be a big step in the battle against heart disease – and the approval is a triumph for Regeneron Pharmaceuticals, the Tarrytown, N.Y.-based biotechnology company that invented it. Praluent is likely to be more widely used, and to cost more, than Wall Steet analysts expected. That also means it could be a big cost down the line.
“Obviously, the class is one of the biggest developments in cardiology in the last decade, that will allow us to treat patients who have been extremely difficult to treat with high levels of LDL cholesterol,” says Steven

Nissen, chairman of cardiology at the Cleveland Clinic. “It’s very promising.”
But it will also be very expensive, say Troy Brennan, the chief medical officer of CVS Caremark, the giant pharmacy benefits manager.“If these drugs are used as broadly as they could be used, they are going to be by far the most expensive drug class,” Brennan says.
Praluent, an injection, lowers low-density lipoprotein, the so-called “bad cholesterol”, by as much as 60%, far more than the statin drugs alone. It is the first drug to work by targeting a protein called PCSK9. Mutations in the gene that makes it can result in patients having lower cholesterol and a dramatically lower lifetime risk of heart attacks. A rival medicine from Amgen is also expected to be approved soon. The FDA is clearing Praluent for patients with heterozygous familial hypercholesterolemia, a genetic condition that causes high cholesterol, and for people who have heart disease, like those who’ve had heart attacks or strokes, who are already taking the maximum dose of a statin they can tolerate.
Regeneron and its marketing partner Sanofi say Praluent will have a wholesale cost of $40 a day, or $14,600 a year, for either of two doses, 75 milligrams or 150 mgs. It’s likely that insurance companies will get a significant discount, because Amgen and Regeneron will compete by giving the insurers rebates.
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"We don't want the noise about these drugs to be price," says Leonard Schleifer, the chief executive and founder of Regeneron. "We have to make sure that people get access to the drug for a fair price if they're insured, for free if they're not insured, or at a discount if they're under-insured."
Praluent's price is 46% higher than that forecast by Evercore ISI, an investment bank, and it is being approved for a larger group of patients than many Wall Street analysts expected following a meeting convened by the FDA to analyze the data on the drug. Some doctors argued its use should be restricted mainly to patients with FH. But Mark Schoenebaum, Evercore ISI's pharmaceutical analyst, says that investors were initially disappointed because they had hoped the FDA would greenlight the drug for an even broader group. Regeneron shares were down 2.5% in afternoon trading before they were halted pending news.
But doctors may prescribe the drug more widely than the label suggests. A survey of physicians published this morning by Geoffrey Porges, an biotechnology analyst at investment bank Sanford C. Bernstein, found that they would use the drug in 30% to 40% of patients who had already had heart attacks. He wrote that 2020 sales of Praluent could be as high as $4.8 billion.
In the survey, doctors expressed a preference for Praluent. One advantage of Regeneron's drug is that doctors will be able to start it at a lower, 75 milligram dose.
Schleifer, who is a medical doctor and, incidentally, a billionaire thanks to his Regeneron stake, says that the company expects that as many as 8 million people who don't have their cholesterol well-controlled could be candidates for Praluent. He emphasized, though, that until larger studies prove the drug prevents heart attacks and strokes patients should always choose statins first. It will have sales representatives a
Insurance companies and pharmacy benefit managers, who help insurers and employers manage drug costs, are going to do their best to restrict use of Praluent, though. Brennan, the CVS Caremark executive, says that he expects patients will need to have medical records documenting that they have already taken statins. Those not taking statins would need a blood test confirming that a statin caused elevations in muscle or liver enzymes, not just complaints that they were achy. "We're not trying to replace statins," says Schliefer, the Regeneron CEO. Most people who have muscle problems from statins do not have those elevated muscle enzymes, says Nissen, the Cleveland Clinic cardiologist, who is conducting a clinical trial Amgen and Pfizer, which is also developing a similar cholesterol drug. He says he has patients who are "desperate" to take a statin but who cannot tolerate it because of muscle pain but do not have elevated muscle enzymes.

.
"Dehspite significant progress over the last decades, high cholesterol remains a leading concern in the U.S. and globally," said Olivier Brandicourt, M.D., Chief Executive Officer, Sanofi. "Praluent demonstrates the power of the Sanofi and Regeneron alliance to deliver a first-in-class therapy in the U.S. for patients in need. Sanofi has a strong cardiovascular heritage and dedication to these patients, and we look forward to working with other regulatory authorities to make Praluent available to patients worldwide."
"We are grateful to the thousands of patients and investigators worldwide who participated in the ODYSSEY clinical trial program," said Leonard S. Schleifer, M.D., Ph.D., Founder, President, and Chief Executive Officer, Regeneron. "Praluent represents the culmination of more than a decade of tireless work to translate the genetic-based discovery of PCSK9 into an innovative medicine that brings meaningful value to patients."
The approval of Praluent was based on data from the pivotal Phase 3 ODYSSEY program, which showed consistent, positive results compared to placebo, which included current standard of care therapy (statins). In the ODYSSEY LONG TERM trial which evaluated Praluent 150 mg every two weeks, Praluent reduced LDL

cholesterol by 58 percent versus placebo at week 24 when added to current standard of care, including maximally tolerated statins. In ODYSSEY COMBO I, Praluent 75 mg every two weeks as an adjunct to statins reduced LDL cholesterol by an additional 46 percent compared to placebo at week 12. At week 24 in the same trial, Praluent reduced LDL cholesterol by 43 percent compared to placebo. In this study, if additional LDL cholesterol lowering was required based on pre-specified criteria at week 8, Praluent was up-titrated to 150 mg at week 12 for the remainder of the trial. Eighty-three percent of patients remained on their initial 75 mg dose. Praluent is generally well-tolerated with an acceptable safety profile. Local injection site reactions including redness, itching, swelling or pain/tenderness where the injection is given were the most common events (7.2 percent with Praluent versus 5.1 percent with placebo) and resulted in a low discontinuation rate that was comparable to placebo (0.2 percent with Praluent versus 0.4 percent with placebo). Patients receiving Praluent had a greater number of injection site reactions, had more reports of associated symptoms, and had reactions of longer average duration than patients receiving placebo. Other common adverse events occurring more frequently in patients with Praluent than placebo included symptoms of the common cold and flu or flu-like symptoms.

The companies carefully considered the potential medical value that Praluent offers patients in determining the Wholesale Acquisition Cost (WAC). The U.S. WAC price of Praluent is $40 per day ($1,120 every 28 days) for both the 75 mg and 150 mg doses, making Praluent the lowest priced patient-administered monoclonal antibody therapy on an annualized basis. Actual costs to patients, payers and health systems are anticipated to be lower as WAC pricing does not reflect discounts or rebates. Out-of-pocket costs to patients will vary depending on insurance status and eligibility for patient assistance.

Sanofi and Regeneron are committed to ensuring that patients in the U.S. who are prescribed Praluent are able to access the medicine and receive the support they may need. The companies will launch a comprehensive program that offers support, training and follow up for patients at every step of the process. The program will provide patient assistance to uninsured or underinsured patients, including providing free medicine to eligible patients, and can help identify coverage options for out-of-pocket costs. Additional services include educational information, clinical support for physicians, nurses and pharmacists, as well as reimbursement services, including co-pay support for eligible patients and information about insurance eligibility support. For more information, please call 1-844-PRALUENT (1-844-772-5836).

Earlier today, the companies announced that the European Medicine Agency's (EMA's) Committee for Medicinal Products for Human Use (CHMP) has adopted a positive opinion for the marketing authorization of Praluent, recommending its approval for use in certain adult patients with hypercholesterolemia. The European Commission (EC) is expected to make a final decision on the Marketing Authorization Application for Praluent in the European Union in September 2015.

Investor Relations Conference Call on Praluent

Sanofi and Regeneron will be hosting a conference call for the financial community on Praluent® (alirocumab) Injection for the treatment of high LDL cholesterol in adult patients. The conference call will take place on Friday, July 24, 2015 (21:30 CET / 20:30 BST/ 15:30 EDT / 12:30 PDT).

The call will be available through audio webcast at www.sanofi.com and www.regeneron.com and also via the following telephone numbers:

France:	+33 (0) 1 70 80 71 53
UK:	+44 (0) 203 107 0289

U.S.:	+1 888 660 6127
	Access code: 81662098

ODYSSEY Program
The ODYSSEY Phase 3 program is one of the most comprehensive clinical trial programs ever conducted for an investigational LDL cholesterol lowering therapy. The program includes 14 global Phase 3 trials evaluating more than 23,500 patients. The primary efficacy end point in all of the studies was the mean percent reduction from baseline in LDL cholesterol at week 24 compared to placebo (maximally tolerated statin therapy); all of the completed studies met their primary endpoint. A significantly higher proportion of patients achieved LDL cholesterol of less than 70 mg/dL in the Praluent group as compared to placebo at both week 12 and week 24. The ongoing ODYSSEY OUTCOMES trial will prospectively evaluate the cardiovascular benefits of Praluent in approximately 18,000 patients.

Important Safety Information
Do not use PRALUENT if you are allergic to alirocumab or to any of the ingredients in PRALUENT.
Before you start using PRALUENT, tell your healthcare provider about all your medical conditions, including allergies, and if you are pregnant or plan to become pregnant or if you are breastfeeding or plan to breastfeed.
Tell your healthcare provider or pharmacist about any prescription and over-the-counter medicines you are taking or plan to take, including natural or herbal remedies.
PRALUENT can cause serious side effects, including allergic reactions that can be severe and require treatment in a hospital. Call your healthcare provider or go to the nearest hospital emergency room right away if you have any symptoms of an allergic reaction including a severe rash, redness, severe itching, a swollen face or trouble breathing.
The most common side effects of PRALUENT include: redness, itching, swelling, or pain/tenderness at the injection site, symptoms of the common cold, and flu or flu-like symptoms. Tell your healthcare provider if you have any side effect that bothers you or that does not go away.
Talk to your doctor about the right way to prepare and give yourself a PRALUENT injection and follow the "Instructions for Use" that comes with Praluent.

You are encouraged to report negative side effects of prescription drugs to the FDA. Visit www.fda.gov/medwatch or call 1-800-FDA-1088.

Please click here for the full Prescribing Information.

About Sanofi
Sanofi, an integrated global healthcare leader, discovers, develops and distributes therapeutic solutions focused on patients' needs. Sanofi has core strengths in the field of healthcare with seven growth platforms: diabetes solutions, human vaccines, innovative drugs, consumer healthcare, emerging markets, animal health and the new Genzyme. Sanofi is listed in Paris (EURONEXT: SAN) and in New York (NYSE: SNY).

From: Ehud Barak [redacted]]
Sent: 8/9/2015 10:54:41 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Fwd: Re:

Importance: High

Hi Jeff
66th I meant.
Thx again. It was really great.
Best
EB

Sent from my iPhone

On Aug 10, 2015, at 01:51, Ehud Barak <[redacted]> wrote:

Hi Jeff
I really find it amusing. I don't agree with everything he says. But it is fascinating. BB is making "historic mistakes"(as he likes to blame others) both vis-a-vis Obama as well as in regard to the American Jewry. And causes a direct damage to IL.
Noam is so sharp and focused. Really impressive.
I did not fully understand how the fallacy he sees in the attitude to the Ants example is related to Big Data illusions. An area (deep learning) I spent some time recently trying to better penetrate.
Btw, the series of cubic differences should look 7,19,37,61 (not 21).
We greatly enjoyed staying in 62nd.
We plan to be back in the last week of Aug. for several weeks (having some speeches to make)
will you still be in NM?
If positive we might come over for few days.
Pl let us know.
Best
From Nili as well.
Regards
EB

Sent from my iPhone

On Aug 8, 2015, at 22:05, jeffrey E. <jeevacation@gmail.com> wrote:

thought you might find amusing
---------- Forwarded message ----------
From: **Noam Chomsky** <[redacted]>
Date: Fri, Aug 7, 2015 at 11:57 PM
Subject: RE: Re:
To: "jeffrey E." <jeevacation@gmail.com>

Neat indeed.

I'm writing about the Iran deal. So far have only sent a form paragraph in response to requests. Below.

Noam

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Nevertheless, better to have the treaty than not to, given the nature of the asylum.

Noam

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Friday, August 07, 2015 3:36 PM
To: Noam Chomsky <[redacted]>
Subject: Re: Re:

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What you suggest is very much the model that has been current in the behavioral sciences for many years. It has a record of colossal failure, and for good reasons, I think. It's disproven, but keeps coming back, most recently with Big Data illusions.

A child doesn't grow arms and legs rather than wings, or a mammalian vs insect visual system, the way an ant searches for food. Rather, the path of development is sharply restricted (and evolution follows constraints too). Acquisition of language (and other cognitive achievements) seems very much like physical growth.

Highly contentious in the field, but in my opinion that's a comment on the failures of the field.

From: jeffrey E. [mailto:jeevacation@gmail.com]
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To: Noam Chomsky[redacted]
Subject: Re: Re:

ants and evolution work by trying things and finding the best solution. math and physics works by algorithms. Im suggesting that maybe just as a child sends out many connections and then discards the unused might be a better template for biological thinking.

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OK for ants, but don't see how it helps us.

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From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Thursday, August 06, 2015 10:28 AM
To: Noam Chomsky <[redacted]>
Subject: Re:

bad for them , good for you. no need to have only one currency, its old fashioned. . you are of course welcome to use apt in new york with your new leisure time, or visit new Mexico again.

ants find the shortest route to food, by trying many and discarding what doesn't work, no algorithm. , no input or output , only a goal. . sounds closer to our probem

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Bad news. We decided not to go. I was invited to talk at the Parliament, but what can one say? That aside, they've got plenty of people giving them bad advice.

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Wednesday, August 05, 2015 7:48 PM
To: Noam Chomsky <[redacted]>
Subject:

Only go to Greece if you feel well , I just had to send my plane to bring another lefty friend back from Athens to see a Jew doctor in New York .

--

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From: Ehud Barak [redacted]]
Sent: 8/10/2015 5:09:03 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

Hi Jeff
As of now we plan to be in NY around August 25. We plan to work on my biography with the editor. Probably starting Sept 1st. But it's all flexible till Sept 11 and on, when I have my speeches and other events.
Best
EB

Sent from my iPhone

On Aug 10, 2015, at 03:25, jeffrey E. <jeevacation@gmail.com> wrote:

Correct on cube . Do you know what date yet in August ?

On Sunday, August 9, 2015, Ehud Barak <[redacted]> wrote:

Hi Jeff
I really find it amusing. I don't agree with everything he says. But it is fascinating. BB is making "historic mistakes"(as he likes to blame others) both vis-a-vis Obama as well as in regard to the American Jewry. And causes a direct damage to IL.
Noam is so sharp and focused. Really impressive.
I did not fully understand how the fallacy he sees in the attitude to the Ants example is related to Big Data illusions. An area (deep learning) I spent some time recently trying to better penetrate.
Btw, the series of cubic differences should look 7,19,37,61 (not 21).
We greatly enjoyed staying in 62nd.
We plan to be back in the last week of Aug. for several weeks (having some speeches to make)
will you still be in NM?
If positive we might come over for few days.
Pl let us know.
Best
From Nili as well.
Regards
EB

Sent from my iPhone

On Aug 8, 2015, at 22:05, jeffrey E. <jeevacation@gmail.com> wrote:

thought you might find amusing
---------- Forwarded message ----------
From: **Noam Chomsky** <[redacted]>
Date: Fri, Aug 7, 2015 at 11:57 PM
Subject: RE: Re:
To: "jeffrey E." <jeevacation@gmail.com>

Neat indeed.

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Noam

On Iran, as usual, I'm a gloomy contrarian. I'm glad the treaty was signed, and it's kind of fun to watch the Republican lunatics shrieking hysterically as they try to kill it (as they may). And Israeli hypocrisy has gone well beyond being comical. But in fact the whole thing is farcical, in my opinon. In the US, Iran is "the greatest threat to world peace", intoned constantly from on high, in the media, everywhere. There is also such a thing as world opinion, as measured by such ultra-radicals as Gallup. It turns out that the greatest threat to world peace is the US, by a very wide margin, no one else even close, and Iran barely mentioned. The American population is protected from these unwanted facts by the Free Press: not reported. There is an organization called US intelligence. They brief Congress regularly on the international security situation, all quite public. On Iran, they point out that it has very limited military power, even by regional standards (a small fraction of Saudi Arabia, for example). Its strategic doctrine is defensive. If – a big If – it has plans for nuclear weapons, that would be part of its deterrent strategy. Now who would be opposed to Iran having a deterrent strategy? Answer is clear: the rogue states that rampage violently in the region and don't want any impediment: the US and Israel, also lesser ones like UK and France. One simple way to reduce the threat of nuclear weapons would be to establish a nuclear-weapons free zone in the region, as has been done elsewhere (over US objections). That's been advocated by the Arab states for 20 years, with very wide global support, including Iran. It comes up regularly at the 5-year review meetings of the Nonproliferation Treaty, at the UN, again a few months ago, when, again, it was blocked by the US to protect its Israeli client, which has a huge nuclear weapons arsenal and wants to keep it. Again, the population is protected from such facts by the Free Press (though in this case there are some fringe exceptions, and of course the Arms Control literature). Same with the rest of the litany. Reading the US and UK press is like living in some lunatic asylum. I'm wondering whether to write about it – again; have done so repeatedly. It's like talking to a wall. Iran has an awful government, though by the standards of such US allies as Saudi Arabia, it's practically heaven.

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From: Joi Ito [redacted]
Sent: 2/16/2016 7:23:58 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Jeffrey Epstein

Importance: High

Good. Was worried you getting deposed about Trump or something. :-)

Sent from my iPhone

On Feb 16, 2016, at 11:16, jeffrey E. <jeevacation@gmail.com> wrote:

Good not bad

On Tuesday, 16 February 2016, Joi Ito <[redacted]> wrote:

Sent from my iPhone

Begin forwarded message:

From: Lesley Groff <[redacted]>
Date: February 16, 2016 at 11:07:17 PST
To: Joichi Ito <[redacted]u>
Cc: "Joichi (Joi) Ito" <[redacted]>
Subject: Jeffrey Epstein

Joi, I am so very sorry but Jeffrey is canceling his trip to Vancouver! It is very sudden and he is sorry, but he is flying to Washington, DC now.

I am sure he will be in touch with you…

Please accept our apologies..

Lesley

--

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From: Kathy Ruemmler [[redacted]
Sent: 2/27/2016 4:34:42 PM
To: Jeffrey [jeevacation@gmail.com]
Subject: Fwd: Follow up

Importance: High

Sent from my iPhone

Begin forwarded message:

From: Kathy Ruemmler <[redacted]>
Date: February 27, 2016 at 8:07:42 AM MST
To: "Immelt, Stephen J." <[redacted]>
Subject: Re: Follow up

Hi Steve,

I am still intrigued and would like to meet Michael. I thinks it makes sense, though, for us to have a more specific conversation about compensation before I meet with him. I don't want to put the cart before the horse, but as I mentioned, this would be a big move for me, and it would have to make sense economically in addition to being the right move for other reasons we have discussed.

I hope you are well. Cannot believe that Christie endorsed Trump!

Best,

Kathy

Sent from my iPad

On Feb 25, 2016, at 5:23 AM, Immelt, Stephen J. <[redacted]> wrote:

Kathy

I don't want to pester you, but in the hope that you are still intrigued, I wanted to suggest that we try to set up an opportunity for you to meet Michael Davison, our global head of litigation. MIchael is an International Arbitration specialist based in London and a key player. He is also a lot of fun, notwithstanding his Scottish upbringing.

Let me know.

Best,

Steve

About Hogan Lovells

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From: Kathy Ruemmler [[redacted]]
Sent: 2/27/2016 7:20:42 PM
To: Jeffrey [jeevacation@gmail.com]
Subject: Fwd: Follow up

Importance: High

Unsatisfactory

Sent from my iPhone

Begin forwarded message:

From: "Immelt, Stephen J." <[redacted]>
Date: February 27, 2016 at 10:30:17 AM MST
To: "'Kathy Ruemmler'" <[redacted]>
Subject: RE: Follow up

Kathy

We will of course do this in whatever sequence makes sense for you. It goes without saying that any move would need to make economic sense. My assumption has been that your comp would fall outside of our "bell curve", but that is not an issue for us as long as the potential contribution also falls outside. You would not be the only partner outside the curve, and I am comfortable with expanding that group for people who can genuinely move the needle while embracing the culture that makes us who we are.

One benefit of having Michael in the mix is that he can provide a global perspective, and he would be important for explaining the case outside the US if we moved forward.

Just let me know when and how you want to speak next.

Best,

Steve

Stephen Immelt
Partner and CEO
Hogan Lovells US LLP - Washington, DC office
Columbia Square
555 Thirteenth Street, NW
Washington, DC 20004
Tel: [redacted]
Direct: [redacted]
Fax: [redacted]
Email: [redacted]

www.hoganlovells.com

Hogan Lovells International LLP - London office

Atlantic House
Holborn Viaduct
London EC1A 2FG, United Kingdom
Tel: [redacted]
Direct: [redacted]

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-----Original Message-----
From: Kathy Ruemmler [mailto[redacted]]
Sent: Saturday, February 27, 2016 10:08 AM
To: Immelt, Stephen J.
Subject: Re: Follow up

Hi Steve,

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From: Terry Kafka [redacted]
Sent: 3/9/2016 10:21:30 PM
To: 'Philip Kafka' [redacted]]
CC: jeevacation@gmail.com
Subject: RE: Gingrich view of Trump

Importance: High

Exactly! Bernie's like a Mark Twain or Lafayette teacher from Brooklyn back in the 60's and 70's.

Terry B. Kafka, President
Impact Outdoor Advertising Co.
5454 La Sierra Dr., Suite 200
Dallas, TX 75231
[redacted] - [redacted] cell
Impactoutdoor.com

From: Philip Kafka [mailto [redacted]
Sent: Wednesday, March 09, 2016 4:18 PM
To: Terry Kafka [redacted]
Subject: Re: Gingrich view of Trump

I love ole Bernie. Wish he wasn't a damn socialist. He probably reminds you of your Social Studies teacher from Lafayette high...?

-pk

On Wed, Mar 9, 2016 at 5:15 PM, Terry Kafka <[redacted]> wrote:

Agree. Funny, I too have been saying Trump or Bern. Get Hillary the hell out. She's shameless!

Terry B. Kafka, President
Impact Outdoor Advertising Co.
5454 La Sierra Dr., Suite 200
Dallas, TX 75231
[redacted] cell
Impactoutdoor.com

From: Philip Kafka [mailto: [redacted]]
Sent: Wednesday, March 09, 2016 4:11 PM
To: Terry Kafka <[redacted]>

Subject: Re: Gingrich view of Trump

I openly and proudly support Trump.

I've actually been able to pull people away from Hillary by saying I'd ONLY vote for Trump or Sanders. Citing they everyone else is establishment politics. I convinced a lesbian woman, older, to consider Trump after she

went on a rampage about him. It just shows, people HAVE NO IDEA what they are talking about. Media holds the cards.... people are sheep.

On Wed, Mar 9, 2016 at 5:04 PM, <[redacted]> wrote:

Agree
Sent via BlackBerry by AT&T

-----Original Message-----
From: Philip Kafka <[redacted]>
Date: Wed, 9 Mar 2016 17:01:58
To: Terry Kafka<[redacted]>
Cc: Janet Kafka<[redacted]>
Subject: Re: Gingrich view of Trump

And I believe we have a problem

Sent from my iPhone

> On Mar 9, 2016, at 4:58 PM, Terry Kafka <[redacted]> wrote:
>
> Trump is a problem solver for sure.
>
> Terry B. Kafka, President
> Impact Outdoor Advertising Co.
> 5454 La Sierra Dr., Suite 200
> Dallas, TX 75231
> [redacted] – [redacted] cell
> Impactoutdoor.com
>
>
> -----Original Message-----
> From: Philip Kafka [mailto:[redacted]
> Sent: Wednesday, March 09, 2016 3:55 PM
> To: Terry Kafka <[redacted]>
> Cc: Janet Kafka <[redacted]>
> Subject: Re: Gingrich view of Trump
>
> Great one. Thanks
>
> Sent from my iPhone
>
>> On Mar 9, 2016, at 4:47 PM, Terry Kafka <[redacted]> wrote:
>>
>> On trump.
>>
>> Terry B. Kafka, President
>> Impact Outdoor Advertising Co.
>> 5454 La Sierra Dr., Suite 200
>> Dallas, TX 75231
>> [redacted] – [redacted] cell

>> Impactoutdoor.com
>>
>>
>> -----Original Message-----
>> From: Brad Bowen [mailto[redacted]]
>> Sent: Wednesday, March 09, 2016 2:16 PM
>> To: Kevin McIntosh <[redacted]>; Ryan McIntosh
>> <[redacted]>; Al Eckert <[redacted]>; 'Henry
>> Peek ([redacted])' <[redacted]>; 'Terry Kafka
>> ([redacted]' <[redacted]>; Coy E. Garrett
>> <[redacted]>; Blake <[redacted]>
>> Subject: FW: Gingrich view of Trump
>>
>>
>>
>> Brad Bowen
>> Partner
>> Trinity Partners Commercial Real Estate Work phone: [redacted] Cell
>> phone:[redacted]Mailing Address:
>> P.O. Box 96011
>> Southlake, TX 76092
>> Physical Address:
>> 450 N Kimball Ave
>> Suite 100
>> Southlake, TX 76092
>> www.trinitypartnerstexas.com
>> [Description: Description: Description: TRINITI PARTNER logo22]
>>
>>
>> From: Kenny Shirley [mailto:[redacted]
>> Sent: Wednesday, March 09, 2016 12:11 PM
>> To: Danny Shurden; Brad Bowen; [redacted]
>> Subject: Fwd: Gingrich view of Trump
>>
>>
>>
>> Sent from my iPhone
>>
>> Begin forwarded message:
>> From: Realblondes <[redacted]n<mailto:[redacted]n>>
>> Date: March 9, 2016 at 9:26:23 AM CST
>> Subject: Fwd: Gingrich view of Trump
>>
>>
>> SUBJECT; GINGRICH VIEW OF TRUMP
>>
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>>
>> Understanding Donald Trump The Washington Times January 8, 2016 by Newt Gingrich

>>
>> Donald Trump is a genuine phenomenon. He may or may not become the Republican nominee for president. He may or may not win the presidency even if he becomes the nominee. Yet it is clear that he is a phenomenon and that any history of the 2016 presidential race will have to spend a good bit of time analyzing Trump and his impact.
>>
>> From the time he announced on June 16, Trump has dominated social and mainstream media. He dominates the conversation despite the lack of paid advertising. Trump says outrageous things and his supporters shrug it off. At every turn, his poll numbers continue to rise.
>>
>> As a step toward understanding this amazing performance, I spent part of the Christmas break reading his first bestseller, 'The Art of the Deal'. Written in 1987, this book is a classic among American business books and has influenced a generation of entrepreneurs. Trump wrote 'The Art of the Deal' when he was 41 years old and having a successful run. The book's popularity contributed to Time Magazine's decision to feature Donald Trump on its cover in January 1989.
>>
>> The portrait that emerges from this easy-to-read and remarkably interesting book is of an aggressive, ambitious person who is constantly pushing, constantly learning, and always seeking the next challenge. Reporters and analysts who are trying to understand Trump would be well served by slowing down and reading this nearly three-decade-old bestseller.
>>
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>> http://www.avast.com/
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Philip Kafka

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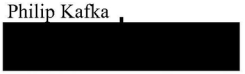
Philip Kafka



From: Philip Kafka [redacted]
Sent: 3/9/2016 10:22:23 PM
To: Terry Kafka [redacted]
CC: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Re: Gingrich view of Trump

Importance: High

Epstein 2016!

(Mark)

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Exactly! Bernie's like a Mark Twain or Lafayette teacher from Brooklyn back in the 60's and 70's.

Terry B. Kafka, President
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[redacted] - [redacted] cell
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And I believe we have a problem

Sent from my iPhone

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>>
>> Brad Bowen
>> Partner
>> Trinity Partners Commercial Real Estate Work phone: [redacted] Cell
>> phone: [redacted] Mailing Address:
>> P.O. Box 96011
>> Southlake, TX 76092
>> Physical Address:
>> 450 N Kimball Ave
>> Suite 100
>> Southlake, TX 76092
>> www.trinitypartnerstexas.com
>> [Description: Description: Description: TRINITI PARTNER logo22]
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>> From: Kenny Shirley [mailto:[redacted]]
>> Sent: Wednesday, March 09, 2016 12:11 PM
>> To: Danny Shurden; Brad Bowen; [redacted]
>> Subject: Fwd: Gingrich view of Trump
>>
>>
>>
>> Sent from my iPhone
>>
>> Begin forwarded message:

>> From: Realblondes <[redacted]<mailto[redacted]>
>> Date: March 9, 2016 at 9:26:23 AM CST
>> Subject: Fwd: Gingrich view of Trump
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>> SUBJECT; GINGRICH VIEW OF TRUMP
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>> Understanding Donald Trump The Washington Times January 8, 2016 by Newt Gingrich
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>> Donald Trump is a genuine phenomenon. He may or may not become the Republican nominee for president. He may or may not win the presidency even if he becomes the nominee. Yet it is clear that he is a phenomenon and that any history of the 2016 presidential race will have to spend a good bit of time analyzing Trump and his impact.
>>
>> From the time he announced on June 16, Trump has dominated social and mainstream media. He dominates the conversation despite the lack of paid advertising. Trump says outrageous things and his supporters shrug it off. At every turn, his poll numbers continue to rise.
>>
>> As a step toward understanding this amazing performance, I spent part of the Christmas break reading his first bestseller, 'The Art of the Deal'. Written in 1987, this book is a classic among American business books and has influenced a generation of entrepreneurs. Trump wrote 'The Art of the Deal' when he was 41 years old and having a successful run. The book's popularity contributed to Time Magazine's decision to feature Donald Trump on its cover in January 1989.
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>> The portrait that emerges from this easy-to-read and remarkably interesting book is of an aggressive, ambitious person who is constantly pushing, constantly learning, and always seeking the next challenge. Reporters and analysts who are trying to understand Trump would be well served by slowing down and reading this nearly three-decade-old bestseller.
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>> http://www.avast.com/
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Philip Kafka

[redacted]

--
Philip Kafka
[redacted]

--
Philip Kafka
[redacted]

From: Terry Kafka [redacted]
Sent: 3/9/2016 10:33:53 PM
To: 'jeffrey E.' [jeevacation@gmail.com]; 'Philip Kafka' [redacted]
Subject: RE: Gingrich view of Trump

Importance: High

Hey Jeff. Philly gets it. I told him about our first lesson in common sense: Folding the bottom tip of the French fry cone so it doesn't tear the paper bag at Nathans. Schmuck!

Terry B. Kafka, President
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5454 La Sierra Dr., Suite 200
Dallas, TX 75231
[redacted] – [redacted] cell
Impactoutdoor.com

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Wednesday, March 09, 2016 4:26 PM
To: Philip Kafka <pk@princeconcepts.com>
Cc: Terry Kafka <terry@impactoutdoor.com>
Subject: Re: Gingrich view of Trump

great

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Epstein 2016!

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>>
>>
>> Brad Bowen
>> Partner
>> Trinity Partners Commercial Real Estate Work phone: [redacted] Cell
>> phone: [redacted] Mailing Address:
>> P.O. Box 96011
>> Southlake, TX 76092

>> Physical Address:
>> 450 N Kimball Ave
>> Suite 100
>> Southlake, TX 76092
>> www.trinitypartnerstexas.com
>> [Description: Description: Description: TRINITI PARTNER logo22]
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>> Understanding Donald Trump The Washington Times January 8, 2016 by Newt Gingrich
>>
>> Donald Trump is a genuine phenomenon. He may or may not become the Republican nominee for president. He may or may not win the presidency even if he becomes the nominee. Yet it is clear that he is a phenomenon and that any history of the 2016 presidential race will have to spend a good bit of time analyzing Trump and his impact.
>>
>> From the time he announced on June 16, Trump has dominated social and mainstream media. He dominates the conversation despite the lack of paid advertising. Trump says outrageous things and his supporters shrug it off. At every turn, his poll numbers continue to rise.
>>
>> As a step toward understanding this amazing performance, I spent part of the Christmas break reading his first bestseller, 'The Art of the Deal'. Written in 1987, this book is a classic among American business books and has influenced a generation of entrepreneurs. Trump wrote 'The Art of the Deal' when he was 41 years old and having a successful run. The book's popularity contributed to Time Magazine's decision to feature Donald Trump on its cover in January 1989.
>>
>> The portrait that emerges from this easy-to-read and remarkably interesting book is of an aggressive, ambitious person who is constantly pushing, constantly learning, and always seeking the next challenge. Reporters and analysts who are trying to understand Trump would be well served by slowing down and reading this nearly three-decade-old bestseller.
>>

>> They would discover that Donald Trump has developed a remarkable set of rules and principles that allow him to make decisions with incredible speed. Trump knows a lot, but what is amazing is how rapidly he figures out what he doesn't know.
>>
>> My favorite story is of the Wollman Skating Rink in New York's Central Park.
>> The Wollman Rink was a heavily used public skating rink which had fallen into disrepair in 1980. New York City tried for six years to fix it, spent $13 million, and the rink still was not ready to open. In June of 1986 Trump, who could see the rink from his apartment, finally got tired of the embarrassment and offered to fix the rink at his own expense. At first the city turned him down because its bureaucracy did not want to be embarrassed by someone fixing something they couldn't fix. Trump kept pushing and finally out of embarrassment the city gave in.
>>
>> The key part of the story is Trump's reaction to being put in charge. He promptly recognized that he didn't know anything about fixing a skating rink. He asked himself who built a lot of skating rinks. "Canadians!" he concluded. He found the best Canadian ice skating rink construction company. When the Canadians flew in to assess the situation, they were amazed at how bad the city had been at solving the problem. They assured Trump that this was an easy job. Trump fixed the six year embarrassment two months ahead of schedule and nearly $800,000 under-budget. (The city did end up paying for the work, and Trump donated the profits to charity.)
>>
>> After reading this chapter you begin to think that maybe Donald Trump really could build a wall along our southern border for a lot less than our current government estimates.
>>
>> 'The Art of the Deal' is filled with stories like this — stories of common sense stories of calculated risk taking, and stories of innovation and marketing.
>> Anyone who would like to better understand Donald Trump would be helped by reading this remarkable book.
>>
>> Another is his pledges and I have no way of knowing if he will make good on all of them but I do agree with all of them. Trump is the only candidate that is serious about building The Wall" ! Two other important pledges Trump has made that no other candidate of either party has matched ! First deportation of millions of illegals that are demanding and costing American taxpayers billions of dollars and second Closing 34 Muslim traing Camps throughout our country! I WOULD LIKE TRUMP OR ANY OTHER CANDIDATES PLEDGE TO REINSTATE ANY AND ALL MILITARY OFFICERS DISCHARGED BECAUSE THEY DISAGREED WITH OBAMA OR HIS POLICIES!!
>>
>> Here is another that kind of wraps up my feelings about Trump
>> Raccoon's in your basement! An interesting analogy
>> You've been on vacation for two weeks, you come home, and your basement is infested with raccoon's. Hundreds of rabid, messy, mean raccoon's have overtaken your basement. You want them gone immediately so you hire a guy. A pro. You don't care if the guy smells, you need those raccoon's gone pronto and he's the guy to do it! You don't care if the guy swears, you don't care if he's an alcoholic, you don't care how many times he's been married, you don't care if he voted for Obama, you don't care if he has plumber's crack...you simply want those raccoon's gone!
>>
>> You want your problem fixed! He's the guy. He's the best. Period. That's why Trump. Yes he's a bit of an ass, yes he's an egomaniac, but you don't care.
>> The country is a mess because politicians suck, the Republican Party is two-faced & gutless, illegal's are everywhere. You want it all fixed! You don't care that Trump is crude, you don't care that he insults people, you don't care that he had been friendly with Hillary, you don't care that he has changed positions, you don't care that he's been married 3 times, you don't care that he fights with Megyn Kelly and Rosie O'Donnell, you don't care that he doesn't know the name of some Muslin terrorist,...this country is weak,

bankrupt, our enemies are making fun of us, we are being invaded by illegal's, we are becoming a nation of victims where every Tom, Ricardo and Hamad is a special interest group with special rights
>> to a point where we don't even recognize the country we were born and raised in; “AND WE JUST WANT IT FIXED” and Trump is the only guy who seems to understand what the people want.
>>
>> You're sick of politicians, sick of the Democratic Party, Republican Party, and sick of illegal's. You just want this thing fixed. Trump may not be a saint, but doesn't have any lobbyist money influencing him, he doesn't have political correctness restraining him, all you know is that he has been very successful, a good negotiator, he has built a lot of things, and he's also not a politician, so he's not a cowardly politician. And he says he'll fix it. You don't care if the guy has bad hair. You just want those raccoon's gone. Out of your house!
>>
>> This one is more about why we don’t want Hillary.
>> I think this sums it up well !
>> Donald Trump and Hillary Clinton are in a bar. Donald leans over, and with a smile on his face, says, "The media are really tearing you apart for That Scandal."
>>
>> Hillary: "You mean my lying about Benghazi?"
>> Trump: "No, the other one."
>>
>> Hillary: "You mean the massive voter fraud?"
>> Trump: "No, the other one."
>>
>> Hillary: "You mean the military not getting their votes counted?"
>> Trump: "No, the other one."
>>
>> Hillary: "Using my secret private server with classified material to Hide my Activities?"
>> Trump: "No, the other one."
>>
>> Hillary: "The NSA monitoring our phone calls, emails and everything Else?"
>> Trump: "No, the other one."
>>
>> Hillary: "Using the Clinton Foundation as a cover for tax evasion, hiring cronies, and taking bribes from foreign countries?
>> Trump: "No, the other one."
>>
>> Hillary: "You mean the drones being operated in our own country without The Benefit of the law?"
>> Trump: "No, the other one."
>>
>> Hillary: "Giving 123 Technologies $300 Million, and right afterward it Declared Bankruptcy and was sold to the Chinese?"
>> Trump: "No, the other one."
>>
>> Hillary: "You mean arming the Muslim Brotherhood and hiring them in the White House?"
>> Trump: "No, the other one."
>>
>> Hillary: "Whitewater, Watergate committee, Vince Foster, commodity Deals?"
>> Trump: "No the other one:"
>>
>> Hillary: "The IRS targeting conservatives?"
>> Trump: "No the other one:"
>>

>> Hillary: "Turning Libya into chaos?"
>> Trump: "No the other one:"
>>
>> Hillary: "Trashing Mubarak, one of our few Muslim friends?"
>> Trump: "No the other one:"
>>
>> Hillary: "Turning our backs on Israel?"
>> Trump: "No the other one:"
>>
>> Hillary: "The joke Iran Nuke deal? "
>> Trump: "No the other one:"
>>
>> Hillary: "Leaving Iraq in chaos? "
>> Trump: "No, the other one."
>>
>> Hillary: "The DOJ spying on the press?"
>> Trump: "No, the other one."
>>
>> Hillary: "You mean HHS Secretary Sibelius shaking down health insurance Executives?"
>> Trump: "No, the other one."
>>
>> Hillary: "Giving our cronies in SOLYNDRA $500 MILLION DOLLARS and 3 Months Later they declared bankruptcy and then the Chinese bought it?"
>> Trump: "No, the other one."
>>
>> Hillary: "The NSA monitoring citizens' ?"
>> Trump: "No, the other one."
>>
>> Hillary: "The State Department interfering with an Inspector General Investigation on departmental sexual misconduct?"
>> Trump: "No, the other one."
>>
>> Hillary: "Me, The IRS, Clapper and Holder all lying to Congress?"
>> Trump: "No, the other one."
>>
>> Hillary: "Threats to all of Bill's former mistresses to keep them quiet"
>> Trump: "No, the other one."
>>
>> Hillary: “You means taking the $145,000,000.00 from Putin for the Uranium Bribe ? “ Trump : “ No the other one .”
>>
>> Hillary: "I give up! ... Oh wait, I think I've got it! When I stole the White House furniture, silverware and China when Bill left Office?"
>> Trump: "THAT'S IT! I almost forgot about that one".
>>
>> **********
>> Everything above is true. Yet she still gets the Democratic votes. Could there be that many stupid people in this country?
>> Does anyone understand this??? I think we're doomed!
>>
>>
>>

>>
>>
>>
>> This email has been sent from a virus-free computer protected by Avast.
>> http://www.avast.com/
>>
>>
>>
>>
>>
>

--
Philip Kafka
[redacted]

--
Philip Kafka
[redacted]

--
Philip Kafka
[redacted]

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From: Michael Wolff [[redacted]
Sent: 5/25/2016 11:23:50 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Trump

Importance: High

What was the letter?

On Wednesday, May 25, 2016, jeffrey E. <jeevacation@gmail.com> wrote:
nussbaum white house counsel. . hillary doing naughties with vince

On Wed, May 25, 2016 at 7:19 AM, Michael Wolff <[redacted]> wrote:
What's the thumb nail on Nussbaum/foster?

On Wednesday, May 25, 2016, jeffrey E. <jeevacation@gmail.com> wrote:
maybe you can ask why bernie nussbaum got vince fosters letter quickly, that is a hillary problem. he would smile then you can ask his realtionsjipwith the elctricians unions and maralago . and out you go

On Wed, May 25, 2016 at 7:12 AM, Michael Wolff [redacted] wrote:
Job is to get the hard ones in without being ejected from the room. What's the one question that pierces through?

On Wednesday, May 25, 2016, jeffrey E. <jeevacation@gmail.com> wrote:
do you want to be provacative . ? trump shuttle. hawaiin tropic contests. . mortgage on mara lago. ? revenue of golf courses as income.??! , total debt of all cos . ? people dont want to conribute money as he said he is worth over 10b , why should they? , calif already coming up short. . fatther bought chips in the casino to stave off bankruptcy, chips because it was better than a first lien. under the gambling rules. matt his bag man? his loan from his brother in law (JUdges husband) how much did his father leave. his brother robert etc.
otherwise you can just throw easys

On Wed, May 25, 2016 at 7:05 AM, Michael Wolff <[redacted]> wrote:
I'm interviewing him this afternoon. Anything you think I should ask?

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DECLARATION IN SUPPORT OF PLAINTIFF'S REQUEST FOR PROTECTIVE ORDER

I, Tiffany Doe, a pseudonym, state as follows:

1. I am a competent adult over 18 years of age able to testify as to personal knowledge. The facts in this declaration are true and correct to the best of my knowledge, information, and belief, and I am competent to testify to them if called upon to do so.

2. I originally met Jeffrey E. Epstein in New York City in 1990 when I was the age of 22. I attended a series of parties in that same year of 1990 where I was paid to entertain various guests of Mr. Epstein.

3. In the year 1991, I was promoted to the occupation of party planner in which my duties were to get attractive adolescent women to attend these parties.

4. I was hired by and paid directly by Mr. Epstein from the years of 1991-2000 to attract adolescent women to attend these parties, most of which were held at what is known as the Wexner Mansion located at 9 E. 71st St. in New York City.

5. In June, 1994 while performing my duties as a recruiter of adolescent women to attend Mr. Epstein's parties, I met a 13-year-old adolescent woman, the Plaintiff in this matter, at the Port Authority in New York City who said that she had come to New York City in the hope of starting a modeling career.

6. I persuaded the Plaintiff to attend a series of parties of Mr. Epstein that took place during the summer of 1994. I told her that, if she would join me at the parties, she would be introduced to people who could get her into the modeling profession and she would be paid for attending.

7. It was at these series of parties that I personally witnessed the Plaintiff being forced to perform various sexual acts with Donald J. Trump and Mr. Epstein. Both Mr. Trump and Mr. Epstein were advised that she was 13 years old.

8. I personally witnessed four sexual encounters that the Plaintiff was forced to have with Mr. Trump during this period, including the fourth of these encounters where Mr. Trump forcibly raped her despite her pleas to stop.

9. I personally witnessed the one occasion where Mr. Trump forced the Plaintiff and a 12-year-old female named [redacted] perform oral sex on Mr. Trump and witnessed his physical abuse of both minors when they finished the act.

10. I personally witnessed or was made immediately aware of the two occasions where my boss Mr. Epstein attempted to rape and sodomize the Plaintiff. I personally witnessed Mr. Epstein sexually and physically abuse other minor females even younger than her.

11. It was my job to personally witness and supervise encounters between the underage girls that Mr. Epstein hired and his guests.

12. I personally witnessed Mr. Trump physically threaten the life and well-being of the Plaintiff if she ever revealed any details of the physical and sexual abuse suffered by her at the hands of Mr. Trump.

13. I personally witnessed Mr. Epstein physically threaten the life and well-being of the Plaintiff if she ever revealed the details of the physical and sexual abuse she suffered at the hands of Mr. Epstein or any of his guests.

14. I personally witnessed Defendant Trump telling the Plaintiff that she shouldn't ever say anything if she didn't want to disappear like the 12-year-old female Maria, and that he was capable of having her whole family killed.

15. After leaving the employment of Mr. Epstein in the year 2000, I was personally threatened by Mr. Epstein that I would be killed and my family killed as well if I ever disclosed any of the physical and sexual abuse of minor females that I had personally witnessed by Mr. Epstein or any of his guests.

16. I am coming forward to swear to the truthfulness of the physical and sexual abuse that I personally witnessed of minor females at the hands of Mr. Trump and Mr. Epstein, including the Plaintiff, during the time of my employment from the years of 1990-2000 for Mr. Epstein. I swear to these facts under penalty of perjury even though I fully understand that the life of myself and my family is now in grave danger.

I declare under penalty of perjury that the foregoing is true and correct.

DATED: June 18, 2016

Tiffany Doe, a pseudonym

DECLARATION IN SUPPORT OF PLAINTIFF'S REQUEST FOR PROTECTIVE ORDER

I, Jane Doe, the Plaintiff in this matter proceeding under a pseudonym, state as follows:

1. I am a competent adult over 18 years of age able to testify as to personal knowledge. The facts in this declaration are true and correct to the best of my knowledge, information, and belief, and I am competent to testify to them if called upon to do so.

2. I was subject to extreme sexual and physical abuse by the Defendants, including forcible rape, that took place at several parties of Defendant Epstein during the summer of 1994 in New York City at a residence used by Defendant Epstein. During this period, I was 13 years old.

3. More particularly, I traveled by bus to New York City in June 1994 in the hope of starting a modeling career. I went to several modeling agencies but was told that I needed to put together a modeling portfolio before I would be considered. I then went to the Port Authority in New York City to start to make my way back home. There I met a woman who introduced herself to me as [redacted]. She told me about the parties and said that, if I would join her at the parties, I would be introduced to people who could get me into the modeling profession. [redacted] also told me I would be paid for attending.

4. The parties were held at a New York City residence that was being used by Defendant Jeffrey Epstein. Each of the parties had other minor females and a number of guests of Mr. Epstein, including Defendant Donald Trump at four of the parties I attended. I understood that both Mr. Trump and Mr. Epstein knew that I was 13 years old.

5. Defendant Trump had sexual contact with me at four different parties in the summer of 1994. On the fourth and final sexual encounter with Defendant Trump, Defendant Trump tied me to a bed, exposed himself to me, and then proceeded to forcibly rape me. During the course of this savage sexual attack, I loudly pleaded with Defendant Trump to stop but he did not. Defendant Trump responded to my pleas by violently striking me in the face with his open hand and screaming that he would do whatever he wanted.

6. Immediately following this rape, Defendant Trump threatened me that, were I ever to reveal any of the details of Defendant Trump's sexual and physical abuse of me, my family and I would be physically harmed if not killed.

7. Defendant Epstein had sexual contact with me at two of the parties that summer. On the second occasion involving Defendant Epstein, Defendant Epstein forced himself upon me and proceeded to rape me anally and vaginally despite my loud pleas to stop. Defendant Epstein then attempted to strike me about the head with his closed fists while he angrily screamed at me that he, Defendant Epstein, should have been the one who took my virginity, not Defendant Trump, before I finally managed to break away from Defendant Epstein.

8. Immediately following this rape, just like Defendant Trump, Defendant Epstein threatened me not to ever reveal any of the details of Defendant Epstein's sexual and physical abuse of me or else my family and I would be physically harmed if not killed.

9. Both Defendants had let me know that each was a very wealthy, powerful man and indicated that they had the power, ability and means to carry out their threats. Indeed, Defendant Trump stated that I shouldn't ever say anything if I didn't want to disappear like [redacted], a 12-year-old female that was forced to be involved in the third incident with Defendant Trump and that I had not seen since that third incident, and that he was capable of having my whole family killed.

10. The duress imposed on me by Defendants not to ever reveal any of the details of the sexual and physical abuse caused to me by Defendants has not terminated and the fear it has instilled in me has not subsided. Unfortunately, making matters worse for me, I was subjected to daily painful reminders of the horrific acts of Defendant Trump via mass media coverage of him starting last summer that, over a short period of time, became continuous and unavoidable.

11. The duress had prevented me from starting litigation before this year. However, as soon as I surfaced, I received threats. More specifically, shortly after my first complaint was filed in California on April 26, 2016, I started receiving threatening phone calls on a cell phone I then owned. The calls were never for more than 20 seconds or so before they hung up and they were always from a blocked or unavailable phone number according to my caller ID feature. Since I changed phone numbers, the threatening calls have completely stopped.

12. This litigation involves matters that are highly sensitive and of a personal nature, and I believe that identification of me would pose a risk of retaliatory physical harm to me and to others.

13. I have no reason to believe that the Defendants' threats have ever been lifted or will ever be lifted and so I request that the Court issue an order protecting me and my family from harm and harassment by the Defendants.

I declare under penalty of perjury that the foregoing is true and correct.

DATED: June 18, 2016

Jane Doe, a pseudonym

From: Noam Chomsky [redacted]
Sent: 6/27/2016 12:23:53 PM
To: jeffrey E. [jeevacation@gmail.com]
CC: [redacted]
Subject: RE: Re:

Importance: High

All too true, I'm afraid.

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Sunday, June 26, 2016 6:20 AM
To: Noam Chomsky [redacted]
Subject: Re: Re:

brexit. trump. syria , ukraine. all tribal

On Sat, Jun 25, 2016 at 8:59 PM, Noam Chomsky <[redacted]> wrote:

Highlight? A chance to spend some free time alone together. Some good concerts. An evening in a small café with jazz duo playing Brazilian jazz. Things like that.

Still eager to make it to the Caribbean, but looks as though we'll have to wait.

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Saturday, June 25, 2016 11:54 AM
To: Noam Chomsky
Subject: Re:

what was the highlight.? caribean is close to brazil, if you wanted you are always welcome and valeria can meet you there.

On Sat, Jun 25, 2016 at 11:51 AM, Noam Chomsky [redacted]> wrote:

Got back a few days ago. Right now at the Cape for a few days. After that Valeria is off to Brazil and I'll be in Cambridge until she comes back.

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Saturday, June 25, 2016 8:23 AM
To: Noam Chomsky
Subject:

now where?

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From: Bruce Moskowitz [redacted]
Sent: 6/30/2016 2:25:23 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Fwd: Research App

Importance: High

This is what my son Aaron developed. Read below from David Hayes at the Mayo Clinic. How do I get David's email to Biden? Thanks

Sent from my iPad
Bruce Moskowitz M.D.

Begin forwarded message:

From: "Hayes, David L., M.D." <[redacted]>
Date: June 30, 2016 at 8:57:26 AM EDT
To: "Bruce Moskowitz ([redacted])" <[redacted]>
Subject: Research App

Bruce – thought of you when watching the evening news yesterday. Joe Biden was being interviewed about his work on "Cancer Moonshot" or something like that. He said that they were working on or planned to work on a database/app that has never before been done, that would allow a patient or a physician to see who was doing research on a specific tumor anywhere in the world.

You've already got it. You have connections everywhere, you should get to Biden on that work group.

David

From: Bruce Moskowitz [redacted]
Sent: 6/30/2016 6:26:23 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Locate a Clinical Trial Near You - MyClinicalTrialLocator.com

Importance: High

Thank you

Sent from my iPhone

On Jun 30, 2016, at 2:23 PM, jeffrey E. <jeevacation@gmail.com> wrote:

sent to biden private

On Thu, Jun 30, 2016 at 10:33 AM, Bruce Moskowitz <[redacted]> wrote:

> This is Aaron's website not an app it allows anyone to type in any cancer term and find any clinical trial or researcher worldwide. It is updated every 24 hours and is in process of being updated with additional information for the benefit of patients and researchers. We allow it as a free open platform that can be expanded to specific interests. If for instance you type in glioblastoma and go out 10,000 miles from your location you can see researchers and clinical trials worldwide. Look at the map then press for example Germany and see what is available.
> http://www.myclinicaltriallocator.com/
>
> Sent from my iPad
> Bruce Moskowitz M.D.

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From: Boris Nikolic [redacted]
Sent: 7/11/2016 1:08:58 AM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: RE:

Importance: High

I was thinking of black.
It is not a gold pain but a gold leafing. It took them 2 months to do it.
What I do not like that it came out more as a Trump gold that an old gold.

B

From: jeevacation@gmail.com
Date: Sun, 10 Jul 2016 21:06:27 -0400
Subject: Re:
To:[redacted]

and maybe have the large colums black instead of gold, as the gold paint is not as good as the gold metal objects.

On Sun, Jul 10, 2016 at 9:03 PM, Boris Nikolic <[redacted]> wrote:

Great! Happy to hear it.
Trust your advice and taste - this is why I am asking!

B

From: jeevacation@gmail.com
Date: Sun, 10 Jul 2016 21:01:22 -0400
Subject: Re:
To[redacted]

i think it was terrific , the only thing i would think about is having only one lit sculpture at a time . put one in storage or covered , but you want to call attention to one at a time.

On Sun, Jul 10, 2016 at 8:43 PM, Boris Nikolic <[redacted]> wrote:

Thank you!

Did you really like it?
How did you like furniture?
What would you change it?

From: jeevacation@gmail.com
Date: Sun, 10 Jul 2016 20:42:23 -0400

Subject:
To:[redacted]

congragulations

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From: Joscha Bach [redacted]
Sent: 7/23/2016 7:02:30 AM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Re: Mechanisms for learning

Importance: High

Some thoughts I meant to send back for a long time:

no worry, if i understand correctly you are suggsting there are layers 1 through N . lets cal them L 1 - Ln. there are times T 1- Tn / and then conjecture that changing the time . correlations (by genetic swtch or other method. , you might be able to make blacks smarter by changing the time for motor layer development and changing the time for other layers. .). like telemeres for the cell , are their equivalents for the layers. . as you talked about culling the unused neurons in each layer, each neuron in each layer would get dfferent (kill yourself if you are not being used instructions).

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I found Noam's hypothesis very compelling in the past. I still think that the idea that language is somehow a cultural or social invention of our species is wrong. But I think that there is a chance (we don't know that, but it seems to most promising hypothesis IMHO) that the difference between humans and apes is not a very intricate special circuit, but genetically simple developmental switches. The bootstrapping of cognition works layer by layer during the first 20 years of our life. Each layer takes between a few months and a few years to train in humans. While a layer is learned, there is not much going on in the higher layers yet, and after the low level learning is finished, it does not change very much. This leads to the characteristic bursts in child development, that have famously been described by Piaget.

The first few layers are simple perceptual stuff, the last ones learn social structure and self-in-society. The switching works with something like a genetic clock, very slowly in humans, but much more quickly in other apes, and very fast in small mammals. As a result, human children take nine months before their brains are mature enough to crawl, and more than a year before they can walk. Many African populations are quite a bit faster. In the US, black children outperform white children in motor development, even in very poor and

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Gorillas can crawl after 2 months, and build their own nests after 2.5 years. They leave their mothers at 3-4 years. Human children are pretty much useless during the first 10-12 years, but during each phase, their brains have the opportunity to encounter many times as much training data as a gorilla brain. Humans are literally smarter on every level, and because the abilities of the higher levels depend on those of the lower levels, they can perform abstractions that mature gorillas will never learn, no matter how much we try to train them.

The second set of mechanisms is in the motivational system. Motivation tells the brain what to pay attention to, by giving reward and punishment. If a brain does not get much reward for solving puzzles, the individual will find mathematics very boring and won't learn much of it. If a brain gets lots of rewards for discovering other people's intentions, it will learn a lot of social cognition.

Language might be the result of three things that are different in humans:
- extended training periods per layer (after the respective layer is done, it is difficult to learn a new set of phonemes or the first language)
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- different internal rewards. Perhaps the reward for learning grammatical structure is the same that makes us like music. Our brains may enjoy learning compositional regular structure, and they enjoy making themselves understood, and everything else is something the universal cortical learning figures out on its own.

This is a hypothesis that is shared by a growing number of people these days. In humans, it is reflected for instance by the fact that races with faster motor development have lower IQ. (In individuals of the same group, slower development often indicates defects, of course.)

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The state of the art in research can do better than that: it can begin to "imagine" things. I.e. when the experimenter asks the system to "dream" what a certain object looks like, the system can produce a somewhat compelling image, which indicates that it is indeed learning visual structure. This stuff is something nobody could do a few months ago:
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My own original ideas concern a few parts of the emerging understanding of what the brain does. The "request-confirmation networks" that I have introduced at a NIPS workshop in last the December are an attempt at modeling how the higher layers might self-organize into cognitive programs.

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From: Joscha Bach[redacted]
Sent: 7/23/2016 10:02:05 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Mechanisms for learning

Importance: High

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From: Joscha Bach [redacted]]
Sent: 7/24/2016 5:23:46 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Mechanisms for learning

Importance: High

Average humans are probably not fully able to learn how to program etc. Fraction of people that reshape the world are at the right end of the Bell curves, so difference in variation means fewer women. We tend to be more interested in the outliers. Have people explicitly evolved to be not to be too smart on average, or is general intelligence so hard to get from human brains?

Am 24.07.2016 um 00:20 schrieb jeffrey E. <jeevacation@gmail.com>:

the average is the only thing that matters

On Sat, Jul 23, 2016 at 6:02 PM, Joscha Bach <[redacted]> wrote:

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It could also be that they have an additional set of learning directives in place that adapts them better to a more hunting/running style of life, whereas the Europeans had to adapt for identifying long-term seasonal patterns, delayed gratification for agriculture etc.

and CONCEPTS could be layer to layer communicaiton. . are gender differences also a matter of time , and structure of interactions. .

I suspect gender differences are mostly motivational, i.e. we have a reward system for all the different social and cognitive needs, which makes us receive different kinds of pleasure and pain, thereby pay attention and learn. You cannot learn what does not attract your attention. Women tend to find abstract systems, conflicts and mechanisms intrinsically boring. Most women in computer science do not write programs because they enjoy solving puzzles, but because they want to help people, get approval etc. There are almost no women in math, because it does not help people or yield social attention.

Men tend to find elaborate social relations boring. If there is no pleasure in observing and empathizing with people, one will not have good social cognition.

IQ is not the only meaningful difference. Chinese pay an inordinate amount of attention to authority. I suspect historically., the authorities tended to kill them a lot if they did not. Jews tend be intellectually independent and anti-authoritarian, which might make them creative and inventive in ways that are hard to find in Asia.

At the moment, I think speed/quality of brain development plus motivational system are the key to understanding both mind and individual differences. Important part of human language might be the result in a motivational need to discover/invent grammatical structure, which as a side effect makes us interested in music.
It would mean that Chomsky's life long hypothesis, that people have a special circuit for grammatical language, is wrong. They might be GENERAL learners, just like Gorillas, but with a strong motivational urge to build grammatical structure, which the brain simply invents (there are only a few ways in which a natural language can work). That is much easier to wire into a brain than a specific circuit.

i my self believe that african music, westrn music , chinese music are a window into the the structure of those layers. . western rigid, african primitve , chinese nature based, . I belive that synphoic movments best describe your layering. they open with a basic simple melody, , after it is learned , it is repeated and " developed " , inverted, distorted, related, etc. the development stage take a long time. then there is a

recapitlaltion of the whole. and its inter and intra actions. . african musci has lots of beats. and little development. - no accident, it mirrors their learning process.

Interesting question if music is somehow indicative of genetically defined prefs, but I am not sure. It could be path effects, starting in culture.

re taboo
, maybe climate change is a good way of dealing with overpopulation. . the earths forest fire. potentailly a good thing for the species

Making having children expensive in terms of upbringing and missed opportunity (like in the west) is a more humane way. Environmental stress while leaving near rock bottom tends to lead people to have more children, because there is no missed opportunity, and high mortality requires more attempts at procreation. Humans are a hardy species, outside of focused famine events and wars only small fractions of any given population die.

I suspect that strong reductions in population will come from large-scale failure of agriculture. The climate change itself with result in migration and wars, but most people will probably survive that. But who knows, I might be wrong.

too many people, so many mass executions of the elderly and infirm make sense
is the fundamental fact that everyone dies at some time .make it imporrisbole to ask so why not earilier. if the brain discards unused neurons , why shold socieity keep their equivalent

The radical idea of treating individuals in a society as cells and the society itself as a well-organized organism is fascism, or course. Probably the most efficient and rationally stringent way of governance, if someone could pull it off in a sustainable way; and if it is aggressive and expansive, its efficiency makes it a virus that everybody will want to stomp out. Fascism makes romantic doo-gooders like me very uncomfortable (I visited KZ Buchenwald five times and it had a profound influence on me; we East Germans inoculated ourselves very thoroughly against fascism), and the general public will not be willing to consider it.
I rather like the treatment Fascism gets in the Amazon Series "The Man in the High Castle", which explores what would have happened if the Germans and Japanese had won the war: A society that tries to function as a brutal and ruthlessly efficient machine, eliminating all social and evolutionary slack. It is very dark, but not a flat caricature of pointless evil for its own sake. Heinlein's late book "Starship Troopers" explores fascism, too, but unlike Philipp K Dick he does not see it as a form of insanity, but as the most desirable order.

I find your "political incorrectness" very fascinating. In the beginning, I thought it is a form of costly signaling, but now I think you are simply entirely unconstrained in your thoughts. How did you manage in your youth? Did you get in trouble, or did you keep your thoughts to yourself? I wonder what kind of person you want to transform into.

It was interesting to notice that at the Forbidden Research conference, nobody managed to say anything remotely out-of line. One large discussion group wanted to address the question of whether "democracy still works", and mostly expressed their disagreement with Trump. Ideology is like halitosis: easy to see in others, hard in oneself. A speaker felt that the media "stifle all criticism of Trump", another wanted to remove "men and Elon Musk from government", and everybody strongly agreed that we need more diversity everywhere.

I noticed some time ago that Joi has remarkable public communication skills. He picks controversial, insight-laden topics, but sanitizes them by carefully replacing the parts of content that would divide his audience with

symbolic messages that everybody can fill with their own content in a way that resonates with them. The non-controversial parts will still be insightful. He manages to come across as very subversive, while rarely offending anyone (except the hard scientists, that miss hard substance).
He also asks influential people and smart students or faculty to write parts of his essays and speeches for him. This invests them in his success, especially because he is going to reward and acknowledge them. Very few of his ideas are original, instead he is good at identifying and testing thoughts he reads or hears from others.

I am still beset by the ruinous instinct that the goal of communication ought to be mutual understanding. Joi is right. Public communication is about reaching one's goals.

Bests,

Joscha

On Sun, Jul 10, 2016 at 12:42 AM, Joscha Bach <[redacted]> wrote:

Dear Jeffrey,

thank you for your support and encouragement, even where I fail.
Sorry for being such an embarrassment today. I will spell out today's argument a bit better and cohesive when I get to it. Also, I should have recognized that the main point I tried to make would trigger Noam (who was as always very generous, patient, kind and humble on the personal level, even though he did not feel like conceding anything on the conceptual one). Almost all of Noam's work focused on the idea that humans have very specific circuits or modules (even when most people in his field began to have other ideas), and his frustration is that it is so hard to find or explain them.

I found Noam's hypothesis very compelling in the past. I still think that the idea that language is somehow a cultural or social invention of our species is wrong. But I think that there is a chance (we don't know that, but it seems to most promising hypothesis IMHO) that the difference between humans and apes is not a very intricate special circuit, but genetically simple developmental switches. The bootstrapping of cognition works layer by layer during the first 20 years of our life. Each layer takes between a few months and a few years to train in humans. While a layer is learned, there is not much going on in the higher layers yet, and after the low level learning is finished, it does not change very much. This leads to the characteristic bursts in child development, that have famously been described by Piaget.

The first few layers are simple perceptual stuff, the last ones learn social structure and self-in-society. The switching works with something like a genetic clock, very slowly in humans, but much more quickly in other apes, and very fast in small mammals. As a result, human children take nine months before their brains are mature enough to crawl, and more than a year before they can walk. Many African populations are quite a bit faster. In the US, black children outperform white children in motor development, even in very poor and socially disadvantaged households, but they lag behind (and never catch up) in cognitive development even after controlling for family income.

Gorillas can crawl after 2 months, and build their own nests after 2.5 years. They leave their mothers at 3-4 years. Human children are pretty much useless during the first 10-12 years, but during each phase, their brains have the opportunity to encounter many times as much training data as a gorilla brain. Humans are

literally smarter on every level, and because the abilities of the higher levels depend on those of the lower levels, they can perform abstractions that mature gorillas will never learn, no matter how much we try to train them.

The second set of mechanisms is in the motivational system. Motivation tells the brain what to pay attention to, by giving reward and punishment. If a brain does not get much reward for solving puzzles, the individual will find mathematics very boring and won't learn much of it. If a brain gets lots of rewards for discovering other people's intentions, it will learn a lot of social cognition.

Language might be the result of three things that are different in humans:
- extended training periods per layer (after the respective layer is done, it is difficult to learn a new set of phonemes or the first language)
- more layers
- different internal rewards. Perhaps the reward for learning grammatical structure is the same that makes us like music. Our brains may enjoy learning compositional regular structure, and they enjoy making themselves understood, and everything else is something the universal cortical learning figures out on its own.

This is a hypothesis that is shared by a growing number of people these days. In humans, it is reflected for instance by the fact that races with faster motor development have lower IQ. (In individuals of the same group, slower development often indicates defects, of course.)

Another support comes from machine learning: we find that the same learning functions can learn visual and auditory pattern recognition, and even end-to-end-learning. Google has built automatic image recognition into their current photo app:
http://blogs.wsj.com/digits/2015/07/01/google-mistakenly-tags-black-people-as-gorillas-showing-limits-of-algorithms/

The state of the art in research can do better than that: it can begin to "imagine" things. I.e. when the experimenter asks the system to "dream" what a certain object looks like, the system can produce a somewhat compelling image, which indicates that it is indeed learning visual structure. This stuff is something nobody could do a few months ago:
http://www.creativeai.net/posts/Mv4WG6rdzAerZF7ch/synthesizing-preferred-inputs-via-deep-generator-networks

A machine learning program that can learn how to play an Atari game without any human supervision or hand-crafted engineering (the feat that gave DeepMind 500M from Google) now just takes about 130 lines of Python code.

These models do not have interesting motivational systems, and a relatively simple architecture. They currently seem to mimic some of the stuff that goes on in the first few layers of the cortex. They learn object features, visual styles, lighting and rotation in 3d, and simple action policies. Almost everything else is missing. But there is a lot of enthusiasm that the field might be on the right track, and that we can learn motor simulations and intuitive physics soon. (The majority of the people in AI do not work on this, however. They try to improve the performance for the current benchmarks.)

Noam's criticism of machine translation mostly applies to the Latent Semantic Analysis models that Google and others have been using for many years. These models map linguistic symbols to concepts, and relate concepts to each other, but they do not relate the concepts to "proper" mental representations of what objects and processes look like and how they interact. Concepts are probably one of the top layers of the learning hierarchy, i.e. they are acquired *after* we learn to simulate a mental world, not before. Classical linguists ignored the simulation of a mental world entirely.

It seems miraculous that purely conceptual machine translation works at all, but that is because concepts are shared between speakers, so the structure of the conceptual space can be inferred from the statistics of language use. But the statistics of language use have too little information to infer what objects look like and how they interact.

My own original ideas concern a few parts of the emerging understanding of what the brain does. The "request-confirmation networks" that I have introduced at a NIPS workshop in last the December are an attempt at modeling how the higher layers might self-organize into cognitive programs.

Cheers!

Joscha

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From: Boris Nikolic [redacted]]
Sent: 7/28/2016 4:14:35 AM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: RE:

Importance: High

Are you around this Friday and weekend.
I am - and leaving on Sunday at 5pm for Greece until August 15th/.
If you around would love to see you.

Just a quick question - do you have any name for a potential LP for my fund. I am planning a final close end of September /October.

Please let me know

B

From: jeevacation@gmail.com
Date: Sun, 10 Jul 2016 21:16:43 -0400
Subject: Re:
To: [redacted]

exactly

On Sun, Jul 10, 2016 at 9:08 PM, Boris Nikolic <[redacted]> wrote:

I was thinking of black.
It is not a gold pain but a gold leafing. It took them 2 months to do it.
What I do not like that it came out more as a Trump gold that an old gold.

B

From: jeevacation@gmail.com
Date: Sun, 10 Jul 2016 21:06:27 -0400
Subject: Re:
To: [redacted]

and maybe have the large colums black instead of gold, as the gold paint is not as good as the gold metal objects.

On Sun, Jul 10, 2016 at 9:03 PM, Boris Nikolic <[redacted]> wrote:

Great! Happy to hear it.
Trust your advice and taste - this is why I am asking!

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From: jeevacation@gmail.com
Date: Sun, 10 Jul 2016 21:01:22 -0400
Subject: Re:
To: [redacted]

i think it was terrific , the only thing i would think about is having only one lit sculpture at a time . put one in storage or covered , but you want to call attention to one at a time.

On Sun, Jul 10, 2016 at 8:43 PM, Boris Nikolic <[redacted]> wrote:

Thank you!

Did you really like it?
How did you like furniture?
What would you change it?

From: jeevacation@gmail.com
Date: Sun, 10 Jul 2016 20:42:23 -0400
Subject:
To: [redacted]

congragulations

--

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From: Boris Nikolic [redacted]
Sent: 7/28/2016 2:48:17 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: RE:

Importance: High

Just called you.
Call me when you can.

Where will you be until 29th?

From: jeevacation@gmail.com
Date: Thu, 28 Jul 2016 06:18:55 -0400
Subject: Re:
To: [redacted]

i will see one maybe today. . i am off until aug 29

On Thu, Jul 28, 2016 at 12:14 AM, Boris Nikolic <[redacted]> wrote:

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Date: Thursday, July 28 2016 05:44 PM
Subject: RE:
From: Boris Nikolic <[redacted]>
To: Jeffrey Epstein <jeevacation@gmail.com>;
Attachments: Biomatics Pitch Deck 063016a.pdf

---

please find attached an updated deck.
Please let me know if you have any candidate!
So far all LPs are AAA+ and there is a pipeline of 8 companies converted at the cost.

B

From: jeevacation@gmail.com
Date: Thu, 28 Jul 2016 06:18:55 -0400
Subject: Re:
To:[redacted]

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Global Equity Volatility Insights

Understanding when risk parity risk increases

we estimate 68% of the

Bank of America Merrill Ylnch

09 August 2016 Corrected

Equity Derivatives
Global

Global Equity Derivatives Rsch
MLPF&S

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See Team Page for Full List of Contributors

US

Quantifying the (bond-equity correlation) risks to risk parity

Last week's sharp sell-off in JGBs renewed concerns of forced selling by risk parity funds. While the drawdowns in US Treasuries, US equities, and ultimately risk parity portfolios were small and short-lived, the latent risk remains worth monitoring, as (i) leverage is still near max levels across a variety of risk parity parametrizations, (ii) bond allocations are historically elevated, and (iii) markets continue to be sceptical of a 2016 Fed hike. Hence we provide a simple scenario tool to help investors assess what relative moves in bonds and equities could catalyse significant deleveraging by rules-based risk parity funds running vol target overlays. For example, a -2% daily decline in the S&P 500 coupled with a -0.6% fall in 10y Treasury prices (poor diversification) could trigger a 25% deleveraging (of unlevered notional) today, whereas a -4% SPX drop and +1% bond rally (good diversification) would generate no selling pressure, underscoring the critical role played by bond-equity correlation in governing the severity of risk parity unwinds.

Europe

Buy the seasonal oil dip via bullish X-market risk reversals

Selling rich USO (WTI tracker) 3M 25d puts to fund cheaper SXEP (European Oil & Gas equity) calls is historically attractive. Indeed the number (>2) of long SXEP calls per short USO put is in the 90th %-ile since 2008. The trade leverages both our commodity strategists' 'buy the dip' view and our equity strategists' bullish outlook on the Oil & Gas sector, which has been the worst performing over the last 1M. Moreover, the average payoff of being long SXEP 3M 25d calls would have been >2x greater than USO 3M 25d calls (owing to more frequent positive returns), when sized for the same upfront cost.

Asia

Own NKY Sep/Oct calendar call at vol hit YTD low level going into the Sep BOJ

Post the Jul-16 BoJ and the announcement of a ¥28.1tn fiscal stimulus package, NKY and USDJPY 1M vols have dropped to near YTD low levels, both USDJPY and NKY 2M-1M term structures are historically steep, pricing in a slow summer. Our strategists believe Sep-16 BoJ's will likely create uncertainty, however, NKY Sep-Oct ATM fwd vol currently trades at the low end of its trading range going into BoJ's YTD. Plus, our analysis suggests a further squeeze in yield will likely be positive for the NKY. We recommend buying 1x NKY Oct 17500 call vs. selling 0.65x Sep 17250 call.

Trade update: Closing the NKY Aug/Sep put calendar trade at 0.28% premium

Korean auto-callable issuance slightly rose while NKY Uridashi issuance fell in July

Table 1: 3M volatility (weekly changes)

	Implied	Realized
S&P500	11.9 (-0.7)	13.2 (-0.1)
ESTX50	19.2 (-0.6)	27.7 (0.4)
FTSE	12.6 (-0.7)	18.9 (0.1)
DAX	17.8 (-1.1)	24.6 (-0.1)
NKY	21.7 (-1.1)	27.2 (-1.2)
HSI	17.5 (-0.6)	17.2 (-0.5)
KOSPI	12.6 (-0.4)	12.9 (0.5)
EEM US	18.8 (-0.8)	22.1 (-0.9)
TOP40	19.4 (0.3)	18.1 (-0.4)
RDX	28.2 (-1.6)	25.8 (-0.6)
IBOV	21.7 (0.0)	21.7 (-0.7)
ISE30	29.9 (-0.1)	27.7 (-0.4)

Source: BofA Merrill Lynch Global Research

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BofAML GFSI™ X-Asset Risk Landscape

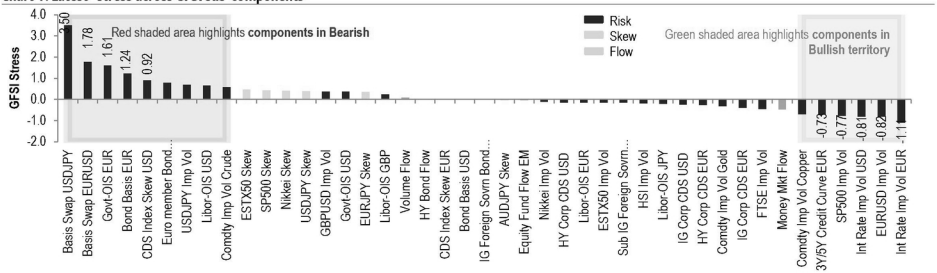
GFSI makes new YTD lows as BoE & NFP boost risk assets

The GFSI declined to a new YTD low of 0.18 as of 5-Aug, a level not seen since Nov-15. With the BoE surprising to the upside in terms of cutting rates, re-starting QE and guiding towards more accommodative policy down the line, as well as better than expected US non-farm payrolls, risk assets globally got a boost.

- **Credit experienced the biggest decline in stress across assets:** Chart 3 shows that credit (followed by equities) experienced the biggest weekly stress decline. Indeed, Chart 5 and Chart 6 show that sovereign risk as measured by IG & sub-IG foreign sovereign bond spreads experienced the most significant weekly declines in stress versus their history in the GFSI.

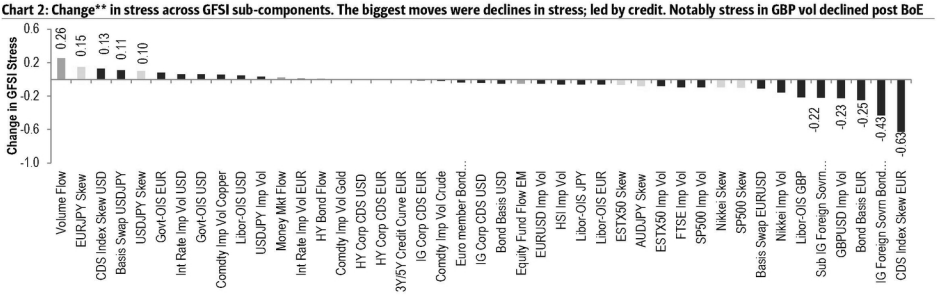
- **Europe continues to be most stressed region:** Chart 4 shows that Europe is the most stressed region in the GFSI, despite the stress declines last week. US-related stresses which were already relatively lower vs the other regions, were more resilient. Indeed the only significant move higher in regional stress was in USD Libor-OIS spreads (Chart 5), which our Rates strategists view as driven by the anticipation of US money market mutual fund reform in October.

Chart 1: Latest* stress across GFSI sub-components



Source: BofA Merrill Lynch Global Research. *Latest as of 05-Aug-16

Chart 2: Change in stress across GFSI sub-components. The biggest moves were declines in stress; led by credit. Notably stress in GBP vol declined post BoE**



Source: BofA Merrill Lynch Global Research. **Latest as of 05-Aug-16. Change vs 1 week prior (29-Jul-16).

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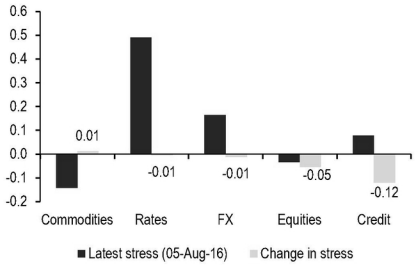
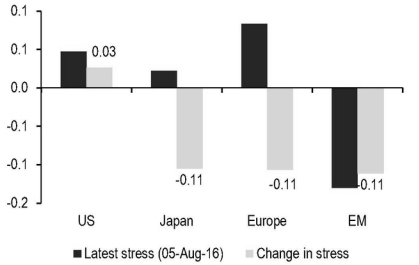
The GFSI Risk Allocator favours being underweight risk assets given the distribution of stresses within the GFSI. The percentages of Bullish, Bearish and Neutral GFSI components (as used in the Risk Allocator) were 8.7%, 13.0% & 78.3%, respectively as of 5-Aug. The Risk Allocator (using Bull, Bear & Neutral weights of 2, 0, 1) suggests reducing the underweight position to 4.3% UW from last week's 17.4% UW.

Chart 3: Stress across assets (Rates & FX are the most stressed asset classes – credit stress declined the most last week



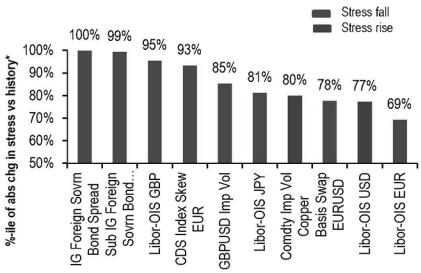
Source: BofA Merrill Lynch Global Research. 1wk change (22-Jul-16 to 29-Jul-16).

Chart 4: Stress across regions (Europe is the most stressed region in the GFSI while EM is the least stressed)



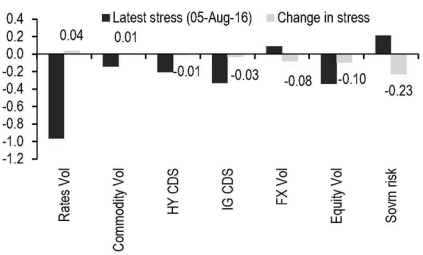
Source: BofA Merrill Lynch Global Research. 1wk change (22-Jul-16 to 29-Jul-16).

Chart 5: Top 10 movers in stress (1-week abs chg %-ile vs history*)



Source: BofA Merrill Lynch Global Research. * %-ile of weekly move in stress vs all historical weekly moves (earliest 3-Jan-00). Bar colours represent: rise (red) or fall (green) in stress. 1wk change (22-Jul-16 to 29-Jul-16).

Chart 6: Global volatility & credit spread stress in the GFSI



Source: BofA Merrill Lynch Global Research. 1wk change (22-Jul-16 to 29-Jul-16).

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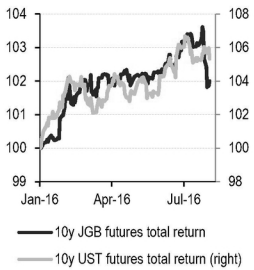
Volatility in the US

Quantifying the (bond-equity correl) risks to risk parity

Last week's sharp sell-off in JGBs (Chart 7) following the BoJ's decision not to cut rates renewed investor fears of forced selling by risk parity funds. However, the spill-over into US Treasuries was relatively muted (Chart 7), and coupled with a small and fleeting drawdown in US equities, risk parity portfolio volatility failed to rise materially (Chart 8). Consequently, risk parity funds were likely forced to unwind little to none of their leverage last week and remain near max leverage levels (Chart 9).

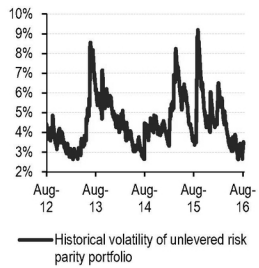
For this very reason, the latent risk in this corner of the quant fund space remains worth monitoring. Furthermore, as we noted post-Brexit, fixed income allocations within risk parity funds are historically elevated today. And with federal-funds futures markets implying a ~25% chance of a Sep rate hike and less than a 50% probability of a Dec hike, bond markets may be surprised by a 2016 Fed hike.

Chart 7: Last week's sharp sell-off in JGBs did not spill-over into US Treasuries



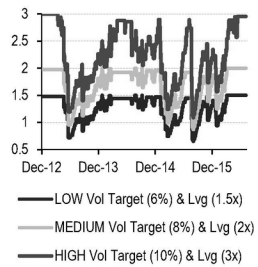
Source: BofA Merrill Lynch Global Research. Daily data from 4-Jan-16 through 5-Aug-16.

Chart 8: Consequently, risk parity portfolio volatility remained quite muted



Source: BofA Merrill Lynch Global Research. Equity, fixed income, and commodity components within the hypothetical risk parity investment are represented by the S&P500, 10-Year US Treasury Bonds, and the S&P GSCI Index respectively. Risk parity allocations are determined and rebalanced monthly using prior 12-month realized volatility and correlations. Historical volatility calculated using EWMA with a lambda equal to 0.94.

Chart 9: Hence risk parity funds did not de-lever materially and remain highly levered



Source: BofA Merrill Lynch Global Research. Daily data from 31-Dec-12 through 27-Jun-16. Equity, fixed income, and commodity components within the hypothetical risk parity investment are represented by the S&P500, 10-Year US Treasury Bonds, and the S&P GSCI Index, respectively. Risk parity allocations are determined and rebalanced monthly using prior 12-month realized volatility and correlations.

Monitoring relative equity/bond moves for potential risk parity deleveraging

It is intuitive to think that rising volatility corresponds to an increase in model-driven selling pressure from risk parity strategies. However, what's less appreciated in our view is the impact on risk parity allocations as a result of the ***relative*** dynamics between component volatilities and correlation. For example, through the close on the Monday post-Brexit (27-Jun-16), S&P 500 volatility rose from 9.6% two days prior to 17.9% (increase of 1.9x) while 10-Year US Treasury Futures return volatility rose 4.3% to 6.6% (increase of 1.5x). Despite these outsized vol moves, in a recent report we showed that owing to the diversification (increasingly negative correlation) between equities and bonds, unlevered risk parity portfolio volatility remained stable and hence, target vol overlays were less likely to be subject to model-driven selling.

Given low levels of realized volatility across asset classes, it's also intuitive to expect continued elevated levels of leverage in risk parity products. To the extent that the leverage is via vol control overlays, there are reasonable concerns on the potential market impact should these model-driven investments be forced to simultaneously deleverage. To that end, we provide a simple scenario tool (Chart 10) to help investors assess what relative moves in the S&P 500 and 10-year US Treasury futures could catalyze significant deleveraging by rules-based, vol-controlled risk parity funds.

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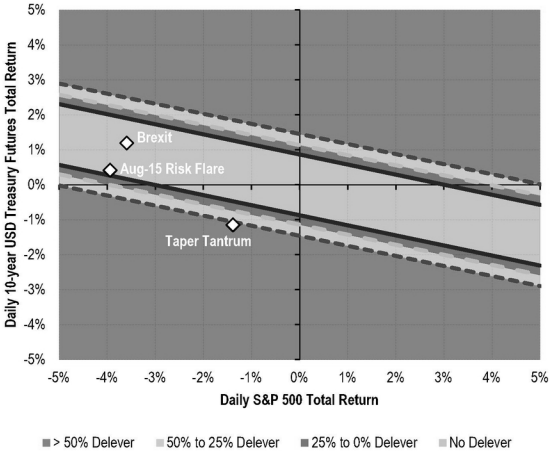
Importantly, this scenario tool is a function of (1) current unlevered risk parity volatility, (2) current risk parity component weights, and (3) the maximum leverage of the target volatility overlay. For simplicity, we used only a two asset risk parity portfolio of equity and fixed income applied to the S&P 500 and 10-Year US Treasury Futures.

Chart 10: Current theoretical deleveraging amounts (of unlevered notional) for an equity/fixed income risk parity portfolio with an 8% target volatility overlay and 2x max leverage cap

Assumes a trailing unlevered volatility of 3.1%, unlevered equity and fixed income weights of 22% and 78% respectively, and leverage at a maximum of 2.0 times



Source: BofA Merrill Lynch Global Research. Data as of 5-Aug-16. Equity and fixed income components within the theoretical risk parity investment are represented by S&P 500 total return and 10-Year US Treasury Futures total return. Risk parity allocations are determined monthly and rebalanced using prior 12-month realized volatility. Unlevered portfolio volatility for determining target volatility leverage measured using EWMA with lambda equal to 0.94.

For example, last Friday 10-Year US Treasury futures declined about 60bps. Had the S&P 500 declined 2.0%, we would have expected about 25% of the unlevered notional of a model 8% vol-targeted, 2.0x max leverage risk parity portfolio to deleverage. The S&P 500 was in fact up 86bps on a total return basis which according to the tool falls in the region of no deleveraging.

Also, to put recent events in perspective, we plotted on the scenario tool the respective moves in the S&P 500 and 10-Year US Treasury futures during the Taper Tantrum (19-Jun-2013), the Aug-15 risk flare (24-Aug-15), and post-Brexit (24-Jun-2016). Note, for an accurate assessment through those events, we would also need to reconfigure the scenario tool for the respective unlevered risk parity volatility and risk parity component weights on those dates. However, with current measures for both, the tool does estimate current deleveraging flows should we see similar equity and bond moves today. Interestingly, equity/bond moves through the Aug-15 risk flare would not cause a deleveraging today. The reason is bonds have increased in allocation since last August (78% vs. 66%), and hence the portfolio is more resilient towards equity market declines (but consequently also more sensitive to fixed income declines).

The scenario tool also underscores impact on risk parity leverage as a result of the relative dynamics between component volatility and correlation. For example, the first and third quadrants (upper right and lower left sections) are dominated by scenarios of greater than 50% deleveraging. On the other hand, the second and fourth quadrants

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have episodes of more benign model-driven deleveraging. In each quadrant exists examples of simultaneously increasing equity and bond volatility (that is, high absolute equity and bond daily returns). However, in the first and third quadrant, equity and bond moves are in the same direction, which would likely be an example of increasing correlation. On the other hand, in the second and fourth quadrant equity and bond moves are in opposite directions and hence correlation is subject to a decrease. The main takeaway here is the most risk of model driven deleveraging from vol controlled risk parity funds comes when ***both*** volatility and correlation of the underlying components rise together.

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Week in review & notable trends (US)

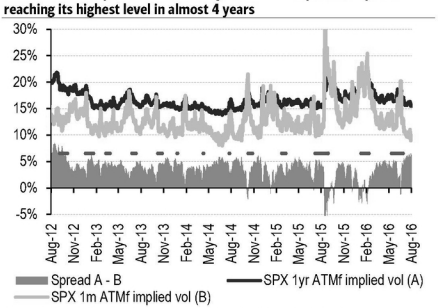
US equities at new all-time highs on upbeat employment report

Both the S&P500 and NASDAQ finished the week higher marking fresh all-time highs as the July nonfarm payrolls and average hourly earnings came in better-than-expected. As a result, VIX fell to its lowest levels since Jul-14 and the SPX 1y vs. 1m ATMf implied vol spread rose to its highest level in almost four years on lower short dated vol.

Across other asset classes, the USD finished with gains against other major currencies, while Treasury yields rose across the curve, which partly explained the outperformance (underperformance) in Financials (Utilities) (i.e., +1.7% and -2.7%, respectively).

Most companies (86% as of 5-Aug) in the SPX have reported Q2 results and the blended (actual + estimated) yoy earnings decline for Q2-2016 now stands at -3.5%, less than the expected decline of -5.5% as of 30-Jun. Analysts expect CY16 earnings decline of -0.3% which would mark the first time SPX has reported two consecutive years of earnings decline since 2008. Earnings growth is now expected to resume in Q4-16.

Chart 11: The SPX vol term-structure steepened materially on lower shorter dated implied vol with the 1yr-1m ATMf implied vol spread reaching its highest level in almost 4 years

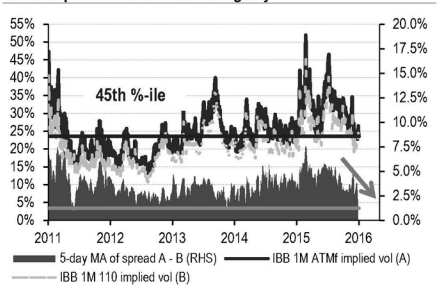


Source: BofA Merrill Lynch Global Research. Daily data from 8-Aug-12 to 8-Aug-16.

With SPX rallying on a stronger-than-expected July jobs report, SPX implied vol took a further leg down, especially in the shorter end of the vol curve. Indeed, SPX 1m ATMf implied vol ended the week at 9.1 vol pts, within striking distance of its 2-year lows.

On the other hand, longer dated ATMf implied vols did not fall nearly as much causing a material steepening in the vol term structure. For instance, the 1yr-1m implied vol spread reached its highest level since 27-Sep-12 (6.4 vol pts).

Chart 12: Near multi-year flat call skew on Biotech (IBB) makes long call spreads an attractive option strategy to initiate or replace long positions to lock-in profits from the recent strong rally



Source: BofA Merrill Lynch Global Research. Daily data from 5-Aug-11 to 5-Aug-16.

Since its peak in Jul-15, the Biotech sector (NBI Index) has been on one of its worst runs in decades, underperforming the broad market benchmark (SPX) by a whopping ~30% on a total return basis. However, more recently the sector has regained some lost ground on solid large-cap earnings reports (i.e., +13.2% since 1-Jul, 9.3% above the SPX).

While short-dated implied vol has dropped considerably as a consequence of the recent rally, it still remains supported on a 5-yr basis. Also, upside vol has been richening vs. ATM vol, with the 1m IBB ATM-110 implied vol spread reaching its lowest level in five years on 4-Aug and finishing the week at 1.2 vol pts (3rd 5-yr %-ile).

Investors with a constructive view on the sector who are concerned about a reversal of the recent gains should consider replacing or initiating long position via short dated ATM calls partially financed by expensive OTM calls.

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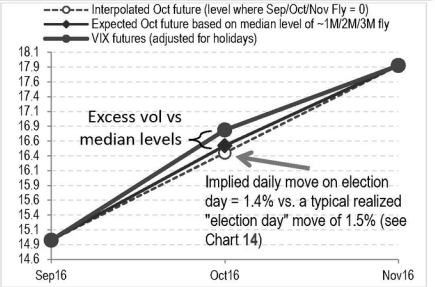
Chart 13: The 2016 election move implied by the VIX term structure is, in our estimate*, approx. 1.4%...



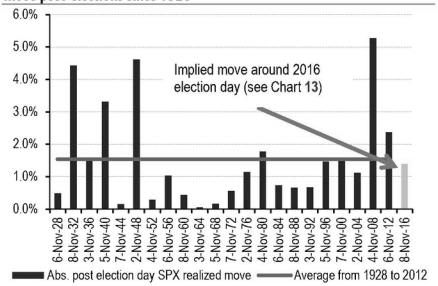
Source: BofA Merrill Lynch Global Research. Daily data from 2-Jun-09 to 5-Aug-16. *Day count adjustment = we adjust the VIX futures curve to reflect the Trade-Day/252 day-count convention and use SQRT ((30/365*252/T)) as the adjustment factor to convert to the common day-count convention used in variance swaps. Term-structure adjustment = we add the median level of the day-count adjusted generic 1m/2m/3m fly (i.e. -0.5x Sep fut. +1xOct fut. -0.5x Nov fut.) to take into account the usual VIX term structure.

Using the VIX term structure in the Sep/Oct/Nov buckets and adjusting for term structure/day convention (see footnote to Chart 13), we estimate the option markets' implied move over a single day in the Oct-Nov period (which encompasses the US election on 8-Nov).

Our estimated implied move is 1.4% which is notably very close to the typical 1-day post-election day SPX realized move over past election cycles (1.5% since 1928) (see Chart 14).

Importantly, there is a larger-than-typical variation in the distribution of all daily post-election SPX returns (34.0 vol pts vs. 18.4 vol pts for daily SPX returns since Jan-1928), with the largest and the fourth largest daily post-election SPX returns since 1928 occurring in the last two election cycles alone (see Chart 14).

Chart 14: ...which is notably very close to the typical SPX daily realized move post-elections since 1928



Source: BofA Merrill Lynch Global Research. Data from Nov-28 to Aug-16.

Hence, investors who believe *this is not your typical election* (to quote President Obama at the latest Democratic National Convention) may still find that option markets are currently pricing too little of a move.

However, as we have recently argued the debate about whether a Trump win would be good or bad for markets coupled with the inability to exactly pinpoint real risks are likely headwinds to a sizeable market shock.

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Table 2: Current S&P500 volatility and correlation measures relative to the prior two year of historical daily data

	1-week change			Over 2-year historical period					
	5-Aug-16	29-Jul-16	Change	Current ranking	Minimum	25%	Median	75%	Maximum
1-month ATM implied volatility	9.1%	9.9%	-0.8%	0.1%	9.0%	11.2%	12.7%	15.4%	31.8%
1-year ATM implied volatility	15.4%	16.0%	-0.6%	13.1%	14.4%	15.8%	16.5%	17.6%	22.5%
1-week intraday realized volatility	8.6%	9.9%	-1.3%	11.5%	6.1%	10.1%	12.1%	16.4%	53.7%
1-year minus 1-month term structure	6.4%	6.1%	0.3%	100.0%	-12.0%	2.1%	3.7%	4.6%	6.4%
3-month 90 minus 110 skew	9.5%	9.6%	-0.1%	3.1%	9.1%	11.1%	11.5%	11.9%	13.8%
1-year top 50 implied correlation	50.31	55.08	-4.77	3.3%	48.38	53.81	55.57	57.90	67.89
3-month top 50 realized correlation	47.71	51.08	-3.38	74.9%	25.85	33.29	39.89	47.71	60.41
VIX 1-month ATMf implied vol	82.6%	88.8%	-6.2%	40.3%	62.1%	77.4%	86.1%	98.1%	162.2%
VIX 1-month 110 minus 90 skew	20.0%	22.2%	-2.2%	39.7%	9.3%	17.9%	20.9%	23.9%	30.3%

Source: BofA Merrill Lynch Global Research

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Volatility in Europe

Buy the seasonal oil dip via bullish X-market risk reversals

Levered X-market risk reversal: Sell 1x USO 3M 25d (~88% strike) puts to fully fund 2.1x SXEP (Oil & Gas equity) 25d (~106% strike) calls (indic.)
Alternative (unlevered) implementation: Sell USO 25d puts to fund fully fund closer to the money SXEP calls

The seasonal sell-off in oil presents a 'buy the dip' opportunity according to our commodity strategists, who expect prices to rebound to $55/bbl by year end. In fact current levels of ~$40 are close to the summer floor ($39) they had previously suggested.

BofAML strategists have turned bullish Oil & Gas equities given more CB (BoE) easing, attractive div yields and exposure to the EM recovery narrative. Moreover, Oil & Gas has been the worst performing Stoxx 600 sector over the last 1M, suggesting it has ample scope to rally if it is to catch up to the broader equity market (Chart 15).

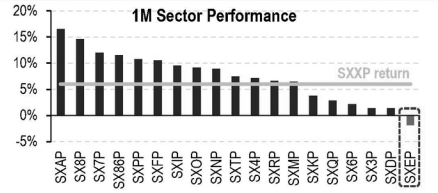
USO (Oil ETF) puts are rich vs. SXEP (European Oil & Gas equity) calls: The number of long SXEP 25d calls that can be fully funded by selling 1 short USO 25d put is near historical highs (90th percentile since '08, Chart 16). In contrast, both SXEP and USO risk reversals are only modestly more attractive than their historical medians.

SXEP calls would have offered better value than USO calls at current levels in terms of average historical payoffs as well as the frequency of positive returns (when sized for the same upfront cost, Chart 17). Note that an unlevered implementation of the trade allows for early participation in any potential SXEP rally (as the SXEP call strike is near the money) while providing a ~12% buffer before incurring losses (at expiry) on the short USO leg (Chart 18).

CSPP has purchased an outsized proportion of Energy corporate bonds and this has yet to feed through to equities according to our credit strategists (Chart 19): The number of Energy corporate bonds bought by the ECB is approx. 45% of the total eligible amount – the 3rd highest proportion across all European sectors.

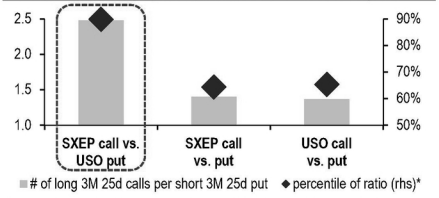
Potential USO losses may be dampened if the recent $/Oil correlation persists: Since mid-2015 oil drawdowns have largely coincided with USD weakening (Chart 20).

Chart 15: SXEP (Oil & Gas equity) has been the worst performing Stoxx 600 sector over the last 1M



Source: BofA Merrill Lynch Global Research. Data from 7-Jul-16 to 5-Aug-16.

Chart 16: The leverage provided by the X-market risk reversal (long SXEP call / short USO put) is attractive from a historical standpoint



Source: BofA Merrill Lynch Global Research. Data as of 5-Aug-16, using indicative mid prices.
*Percentiles since Jan-08.

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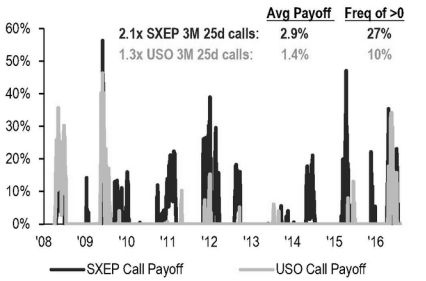
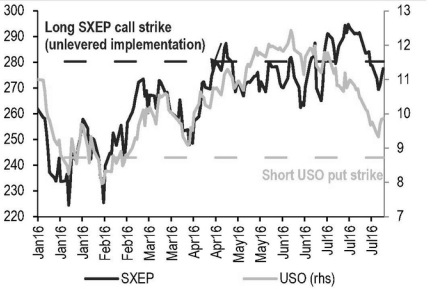
Chart 17: SXEP calls would have generated a higher average payoff and more frequent positive returns vs. USO calls (when sized for an upfront cost equal to the current price of the USO 3M 25d put)



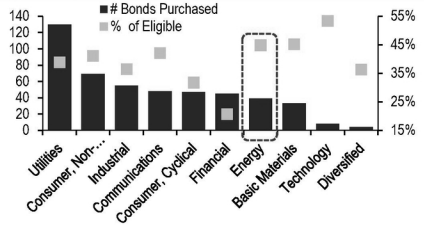
Source: BofA Merrill Lynch Global Research. Data from 1-Jan-16 to 5-Aug-16. Backtesting is hypothetical in nature and reflects application of the screen prior to its introduction. It is not intended to be indicative of future performance.

Chart 18: Selling the USO 25d put (~8.7 strike as of 5-Aug) to buy the SXEP 42d call (~280 strike as of 5-Aug) for ~0 provides early upside participation and a ~12% downside buffer on the short USO put leg



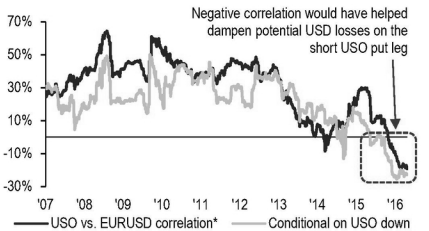
Source: BofA Merrill Lynch Global Research. Data from 1-Jan-16 to 5-Aug-16. Backtesting is hypothetical in nature and reflects application of the screen prior to its introduction. It is not intended to be indicative of future performance.

Chart 19: Number of bonds purchased by the ECB in their CSPP programme by sector



Source: BofA Merrill Lynch Global Research.

Chart 20: Oil drawdowns have recently coincided with $ weakening



Source: BofA Merrill Lynch Global Research. Data from 18-Apr-07 to 5-Aug-16.

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Week in review (Europe)

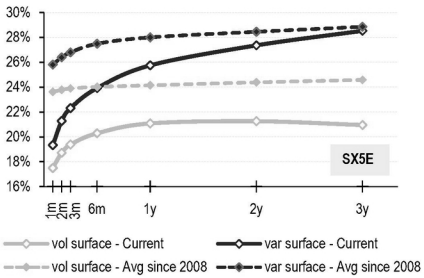
The FTSE100 reached 13 months highs last week as the BOE exceeded market expectations by announcing a 25 bp rate cut (its first rate cut in 7yrs), a further £60bn of QE purchases (vs forecasted £50 bn) while also hinting at more potential stimulus in the autumn. Unsurprisingly, GBPUSD fell further on the back of this. The better-than-expected US nonfarm payrolls that beat all surveyed forecasts helped drive US markets to new all-time closing highs also helped European equities rebound from a mid-week trough. As a result, the V2X has retraced close to its 11 month lows as foreseeable catalysts are behind us for a potentially quieter end to the summer.

- **Long dated ESTX50 var term structure is historically elevated; vol term structure is not:** The dislocation of 3y var convexity (var strike/ATMf volatility) vs that of 1y, which in itself is near extremes, is particularly striking
- **European issuance of ESTX50-linked structured products picked up in July:** We estimate issuance of ~€120Mn/day in July, which compares to €5Mn daily issuance in June and €55Mn daily issuance in 1H16 (excluding June).
- **The current vega outstanding in SX5E-linked products is €143Mn**, which is in its 97th percentile since Jan-14 (when our records begin). Moreover, this could rise to as much as €169Mn if the SX5E rallied to 3280.

Long-dated ESTX50 var term structure is steep; vol term structure is not

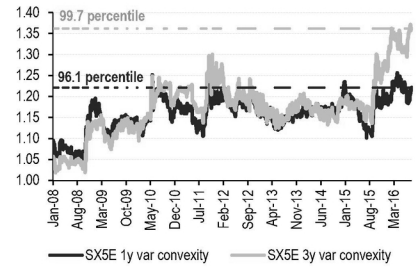
Despite a significantly steep longer dated ESTX50 variance term structure (vs its average since 2008), the volatility term structure is nearly flat. As a result, the level of ESTX50 long dated variance is historically elevated vs the level of long dated vol. The dislocation of 3y var convexity (varswap strike/ATMf vol ratio) vs 1y var convexity (which in itself is near its historic highs) is particularly striking.

Chart 21: Longer dated ESTX50 variance term structure is significantly elevated vs long term average – the extreme steepness is not mirrored in the ATMf volatility term structure



Source: BofA Merrill Lynch Global Research. Data: 02-Jan-08 to 5-Aug-16. Current represents snapshot as of 5-Aug-16

Chart 22: ESTX50 variance convexity (varswap strike/ATMf vol ratio) is near extremes – the dislocation of 3y var convexity vs that of 1y, which in itself is near extremes, is particularly striking



Source: BofA Merrill Lynch Global Research. Data: 02-Jan-08 to 5-Aug-16.

Structured product Jul update: EU issuance picked up; Korean issuance lagged

We estimate issuance of ESTX50-linked structured products in Europe was ~€120Mn/day in July, much higher than the €5Mn daily issuance in June and €55Mn daily issuance in 1H16 (excluding June). This compares to ~€20Mn daily issuance in July out of Korea.

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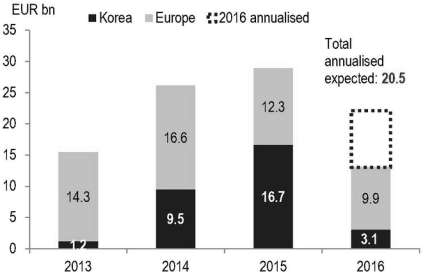
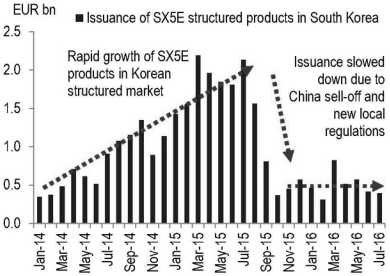
Chart 23: European issuance of ESTX50-linked products rose to €9.9bn so far in 2016 (vs €7.2bn as of 4-Jul)



Source: BofA Merrill Lynch Global Research. Data as of 4-Aug-16

Chart 24: Issuance of ESTX50-linked structured products in Korea was in line with the 2016 issuance trend

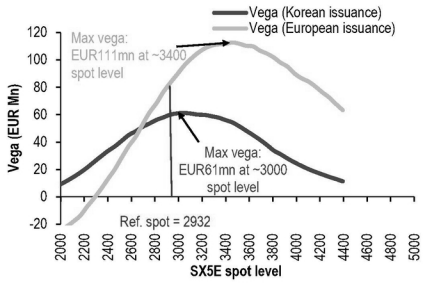


Source: BofA Merrill Lynch Global Research. Data as of 31-Jul-16

Current vega outstanding near at least 2.5y high as European issuance picks up

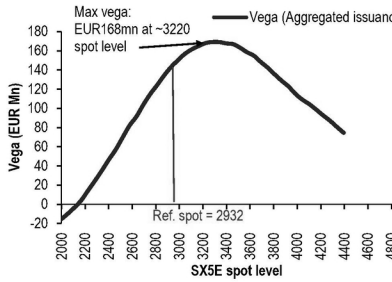
We estimate the current vega outstanding in SX5E-linked products (issued in Europe and Korea) sums up to €143Mn, which is in its 97th percentile since Jan-14 (when our records begin). Moreover, this could rise to as much as €169Mn if the SX5E rallies to 3280 (assuming no net SX5E-linked issuance[1], Chart 25, 26 and Chart 27).

Chart 25: We estimate the current vega outstanding in SX5E-linked structured products is EUR 83Mn (European issuance) and EUR60Mn (Korean issuance)



Source: BofA Merrill Lynch Global Research. Data as of 4-Aug-16

Chart 26: The ESTX50 vega outstanding due to structured products issuance could rise to EUR168Mn, assuming no new net issuance



Source: BofA Merrill Lynch Global Research. Data as of 4-Aug-16

[1] i.e. notional of newly issued structured products = notional of expiring structured products

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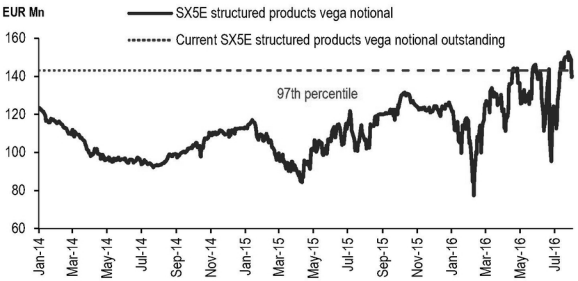
Chart 27: The current vega outstanding in the ESTX50-linked structured products is EUR 143mn, which is in the 97th percentile since 3-Jan-14



Source: BofA Merrill Lynch Global Research. Data as of 4-Aug-16

Table 3: Volatility measures of major equity indices in the EMEA region (data as of 05-Aug-16)

	3Mth ATM implied volatility			10D realised volatility			12Mth–3Mth ATM i-vol spread			3Mth 90-110 skew			Equity index
	Current	Weekly change	2Yr percentile	Current	Weekly change	2Yr percentile	Current	Weekly change	2Yr percentile	Current	Weekly change	2Yr percentile	Weekly return
ESTX50	19.2%	-0.6%	31%	16.6%	5.6%	29%	1.0%	0.2%	87%	8.4%	-0.1%	79%	-0.6%
FTSE	12.6%	-0.7%	21%	10.9%	5.2%	29%	3.4%	0.5%	100%	7.5%	0.0%	10%	1.0%
DAX	17.8%	-1.1%	19%	13.6%	2.9%	11%	1.8%	0.4%	96%	8.6%	-0.4%	78%	0.3%
CAC	18.5%	-0.7%	30%	15.4%	5.3%	27%	0.9%	0.3%	88%	8.6%	0.3%	86%	-0.7%
SMI	13.8%	-1.2%	25%	14.5%	3.6%	51%	1.7%	0.6%	100%	7.6%	-0.8%	57%	0.8%
RDXUSD	28.2%	-1.6%	6%	19.5%	9.2%	8%	1.1%	0.3%	89%	6.0%	-0.1%	15%	1.7%
TOP40	19.4%	0.3%	59%	11.1%	2.1%	19%	2.3%	0.1%	91%	8.7%	-0.2%	63%	-1.2%
ISE30	29.9%	-0.1%	96%	25.2%	-21.6%	76%	-0.9%	0.0%	7%	6.3%	0.1%	77%	1.0%

Source: BofA Merrill Lynch Global Research

European volatility: Sector snapshot

Table 4: Volatility measures and indicative option prices for major European sector indices (data as of 05-Aug-16)

					Bearish <<<< ---------- >>>> Bullish												
	3Mth ATMf implied volatility			Real vol*	3Mth 95%-85% put spread**				3Mth 100%-110% call spread**				3Mth 90%-110% risk reversal**				Equity index
	Current	Weekly change	2Yr %-ile	Current	Current price (% of spot)	Weekly change (bps)	2Yr %-ile	Max payout ratio	Current price (% of spot)	Weekly change (bps)	2Yr %-ile	Max payout ratio	Current price*** (% of spot)	Weekly change (bps)	2Yr %-ile		Weekly return
SX3P (Fd&Bv)	13.0%	-2.7%	6%	12.9%	0.9%	-27	15%	11.7	2.5%	-18	19%	3.9	-0.5%	-33	20%		-0.5%
SX6P (Utils)	16.4%	-1.0%	32%	20.6%	1.2%	-10	31%	8.3	3.0%	-11	45%	3.3	-0.6%	0	22%		-1.7%
SX7E (Banks)	33.5%	-2.3%	76%	48.0%	2.6%	-13	82%	3.9	4.0%	-7	75%	2.5	-0.5%	0	37%		-1.8%
SX7P (Banks)	28.2%	-2.8%	75%	39.8%	2.2%	-7	77%	4.6	3.8%	-17	71%	2.7	-0.5%	17	35%		0.0%
SXAP (Auto)	25.5%	-1.1%	56%	33.4%	2.0%	-7	52%	4.9	3.7%	-8	64%	2.7	-0.6%	3	21%		0.6%
SXDP (Health)	15.3%	-0.5%	24%	12.7%	1.1%	-5	27%	9.1	2.8%	-7	35%	3.5	-0.4%	3	16%		-0.9%
SXEP (Oil&Gas)	23.5%	-0.4%	44%	23.6%	1.9%	-2	44%	5.4	3.6%	-4	44%	2.8	-0.6%	3	28%		-0.4%
SXIP (Insur)	23.6%	-0.4%	86%	31.7%	1.8%	-2	84%	5.6	3.6%	-3	88%	2.8	-0.6%	2	15%		0.8%
SXKP (Telecom)	22.4%	-0.2%	81%	23.4%	1.7%	-1	75%	5.9	3.6%	-2	87%	2.8	-0.7%	1	7%		0.5%
SXNP (Indust)	21.5%	0.0%	67%	21.9%	1.7%	0	71%	5.8	3.4%	0	66%	2.9	-0.4%	1	74%		0.2%
SXPP (Basic)	32.4%	-1.6%	53%	29.7%	2.5%	-7	53%	3.9	3.9%	-5	59%	2.5	-0.4%	2	8%		1.3%
SXQP (Prsnl&HH Gds)	15.4%	0.0%	33%	16.9%	1.0%	0	25%	9.7	2.8%	-1	34%	3.5	-0.5%	1	17%		0.0%
SXRP (Retail)	22.1%	-0.1%	90%	23.4%	1.7%	0	89%	5.9	3.5%	-1	94%	2.8	-0.6%	1	7%		0.5%
SXTP (Trvl&Lsre)	19.9%	-0.1%	55%	26.9%	1.7%	-1	65%	6.0	3.2%	-1	53%	3.1	-0.2%	-1	69%		0.4%

Source: BofA Merrill Lynch Global Research *Real vol = EWMA (Exponentially Weighted Moving Average) volatility, which measures historical price volatility but assigns greater importance to recent returns. Sigma(t)^2 = 0.94*Sigma(t-1)^2+(1-0.94)*r(t)^2, where r(t) is the return on day t. **Indicative mid prices; strikes as % of forward ***Negative values indicate that the bullish risk reversal takes in a credit.

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Volatility in Asia

Own NKY calendar call going into the uncertainty Sep BOJ

Trade update: Closing the NKY Aug/Sep put calendar trade opened on 25-Jul

The short NKY Aug16 15500 put vs. long NKY Sep16 15500-14500 put spread trade was opened on 25-Jul at 0.24% premium and was closed at 0.28% premium on 8-Aug as we are approaching the Aug16 expiry. In addition, the Sep-16 NKY put spread has already carried well by selling the inflated BOJ risk premium even with the spot being largely unchanged.

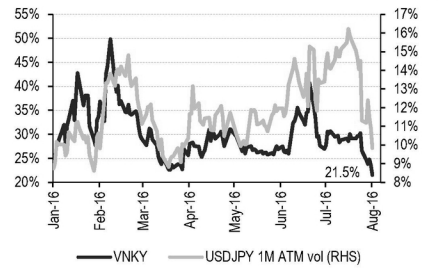
NKY & USDJPY 1Mth vols are down to YTD low: Pricing in a slow summer

With the Japanese government announcing a ¥28.1tn fiscal stimulus package last week, the Abe administration has laid out both its new monetary and fiscal policies. In the short-term, there are few catalysts and both NKY and USDJPY 1Mth implied volatilities have retraced materially. VNKY is at 21.5 and USDJPY 1M ATM vol is at 9.8%, near their YTD low levels.

USDJPY 2M-1M term structure at its steepest & NKY's in its 98th %-ile since '11

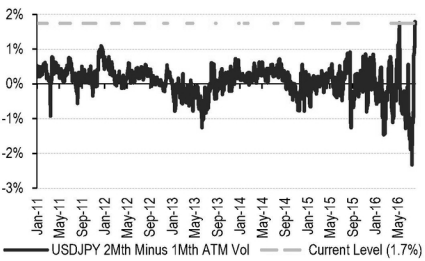
FX has been the main driver in the current Macro world. Chart 29 shows that the USDJPY 2-month minus 1-month term structure is at its highs since 2011. The Sep BOJ meeting is expected to be held on 21-Sep so USDJPY 1-month options do not cover the event. Notably, the NKY term structure is also very steep at 1.5%, which is in its 98th percentile since 2011. The NKY term structure was at its steep at 2.5% in Dec-13.

Chart 28: Japanese equity volatility has dropped to YTD lows; USDJPY short-dated vol also retraced to near YTD low levels



Source: BofA Merrill Lynch Global Research. Daily data from 5-Jan-16 to 5-Aug-16

Chart 29: USDJPY 2M-1M ATM term structure (1.7%) is at its 5-year high while the NKY 2M-1M term structure (1.5%) is at its 98th percentile



Source: BofA Merrill Lynch Global Research.

BofAML: BoJ plans for Sep16 'comprehensive assessment' create uncertainty

The BOJ's decision in keeping "QE" or interest rate unchanged in July highlighted the BOJ's limits in expanding JGB purchases and digging deeper into negative interest rate territory. More importantly, the central bank announced it will conduct a comprehensive assessment of its policy at its Sep meeting. By giving guidance for the next meeting, the BoJ has inevitably focused market attention on possible changes to the monetary policy framework. Significant monetary easing, including helicopter money, cannot be ruled out, but the more likely scenario is that the BoJ makes current monetary policy, which is fixed on achieving 2% inflation target in a short period of time, more 'flexible'.

Market expectation for the Sep BOJ in terms of fwd vol is the near its lows YTD

With NKY Sep ATM vol at 17.8% and Oct ATM at 20%, the NKY Sep-Oct ATM forward vol is at 21.8%, which is at the low end of the trading range going into BOJ events this year (Chart 30). We think there is value in owning forward vol via calendar options.

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A further squeeze in US and Japanese yields is most positive Japan in Asia

The strong US NFP print and the large Japan fiscal plan catalysed a global selloff in bonds. Chart 31 shows that NKY is the most sensitive Asian market to rising USD & JPY yield since 2010 with a correlation of 31%.

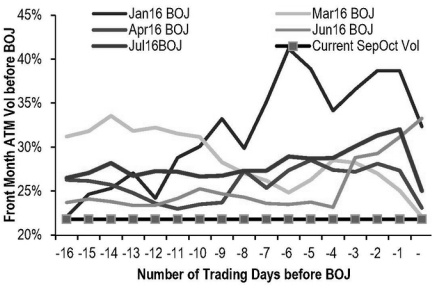
Buy 1x NKY Oct 17500 call, short 0.65x Sep 17250 call: Gamma neutral, long vol

Given the low market expectation in the BOJ and a potential rally in Japanese equities on the back of further yield squeeze and rising BOJ expectation next month, we like owning 1x NKY Oct 17500 call vs. selling 0.65x of Sep 17250 call for 0.7% (¥116). The trade will have a positive 9% delta, 8bps of vega and flat gamma & theta initially.

Indicative pricing (As of 8-Aug-16, Ref: 16650)

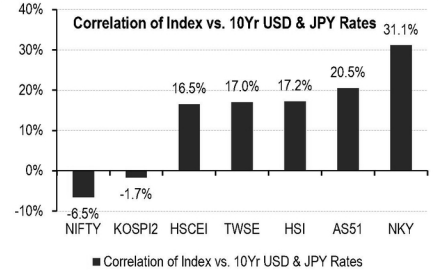
Buy 1x NKY Oct 17500 call:	1.13% (¥187) (iv: 19.2, delta: 24%, gamma: 3.8%)
Sell 0.65x NKY Sep 17250 call:	0.66% (¥110) (iv: 16.9, delta: 23%, gamma: 5.9%)
Net:	0.70% (¥116) (delta: +9, vega: 0.08%)

Chart 30: Current NKY Sep-Oct ATM volatility is cheap relatively to implied volatility going into previous BOJ meetings in 2016



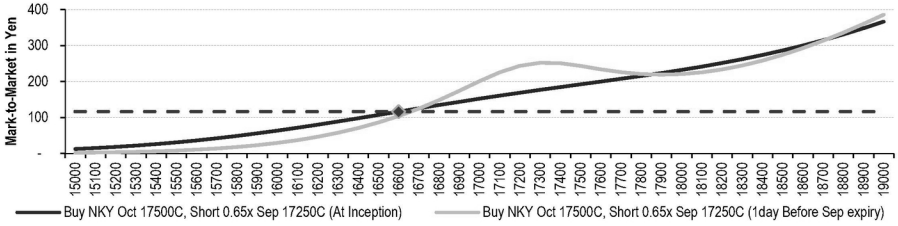
Source: BofA Merrill Lynch Global Research

Chart 31: The Nikkei is the most sensitive to rising USD and JPY rates among Asian indices



Source: BofA Merrill Lynch Global Research. Weekly correlation since 2010

Chart 32: Mark-to-Market of the long 1x NKY Oct 17500 call, short NKY Sep 17250 call structure



Source: BofA Merrill Lynch Global Research Assume volatility stays constant

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Week in review & notable trends (Asia)

The MSCI Asia-Pac USD Index inched down 48bps in an eventful week in terms of macro news, with equities gains offset by USD strength. Following the monetary policy changes announced during the BoJ, the Abe Cabinet approved a fiscal stimulus package totalling ¥28.1tn last week. However, the Nikkei fell 190bps and the yen advanced another 32bps over the week. The Korean government submitted a KRW28tn fiscal package proposal to the Congress, which our economists believe should sustain growth near term; the KOSPI2 was little changed (adding 35bps). The RBA cut rates by 25bps as our economists expected, but Australian stocks declined with the ASX 200 dropping 117bps. Elsewhere in Asia, the HSI, HSCEI, TWSE and Nifty rallied 1.2%, 1.9% 1.2% and 0.5%, respectively.

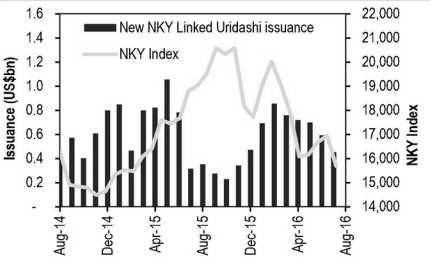
Japanese equity implied volatility dropped to YTD lows

- Last week, most major Asian implied vols edged down as underlying indices rallied; ASX 200 vol increased slightly despite the rate cut
- NKY vol saw a larger decline, with 3M ATM vol dropping 1.1 vol pts to 21.7% mainly due to diminished uncertainty as the fiscal package rolled out
- Most Asian skews flattened and term structures steepened, especially the Nikkei term structure (spread between 1yr and 1M ATM vols), which increased 3.0 vol pts and turned positive

NKY Uridashi issuance continues to fall as existing ones haven't knocked-out

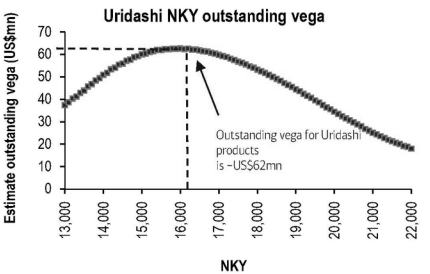
Despite the falling NKY and relatively high implied volatility, Japanese Uridashi issuance has further retraced as most existing products have not knocked-out. In Jul-16, there was $450mn Uridashi products issued which are NKY linked. We estimate that the peak of vega profile is around the current spot.

Chart 33: In Jul-16, there was $450mn Uridashi products issued which are NKY linked



Source: BofA Merrill Lynch Global Research.

Chart 34: At current NKY levels, the estimated total vega of the NKY-linked Uridashi products is ~US62mn, near the peak of the vega profile



Source: BofA Merrill Lynch Global Research.

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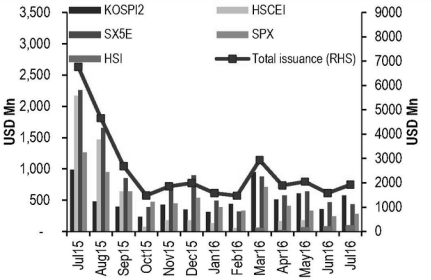
Chart 35: issance of Korean structured products ticked up in Jul-16, but stays relatively low as majority of the products still haven't knocked out



Source: BofA Merrill Lynch Global Research.

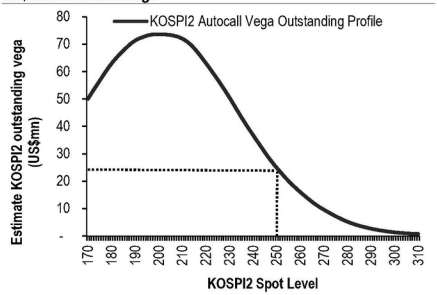
Korean structured product issance increased to US$1.9bn in July; KOSPI2-linked products dominated

Korean auto-callable product issance ticked up last month, with a total of US$ 1.9bn notional issued, vs. US$ 1.6bn total issance in June.

Looking at individual underlyings, KOSPI2-linked products (currently US$578mn) saw the largest increase. KOSPI2-linked issance hence took over SX5E-linked issance (currently US$436mn), which was relatively unchanged compared to June. HSCEI-linked issance (currently US$ 69mn) further declined whereas HSI-linked issance (currently US$ 262mn) increased again. SPX-linked issance grew to US$ 281mn.

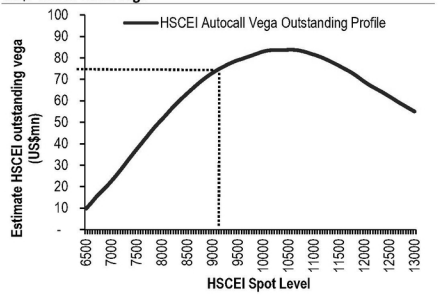
KOSPI2 outstanding vega: US$23mn
HSCEI outstanding vega: US$74mn

Chart 36: We estimate that structured product Issuers are currently long US$23mn of KOSPI2 vega



Source: BofA Merrill Lynch Global Research.

Chart 37: We estimate that structured product Issuers are currently long US$74mn of HSCEI vega



Source: BofA Merrill Lynch Global Research.

Table 5: Volatility measures of major Asian indices (data as of 5-Aug-16)

	3Mth ATM Implied Volatility			10D Realized Volatility			12Mth-1Mth ATM Vol Spread			3Mth 90-110 Skew Spread			Equity Market
	Current	Weekly change	4Yr percentile	Current	Weekly change	4Yr percentile	Current	Weekly change	4Yr percentile	Current	Weekly change	4Yr percentile	Weekly return
HSI	17.5%	-0.6%	57.2%	15.7%	4.9%	56.4%	2.2%	0.3%	52.0%	5.4%	-0.2%	82.8%	1.2%
HSCEI	20.8%	-0.5%	30.4%	17.4%	6.6%	38.1%	3.3%	0.2%	88.9%	4.2%	-0.7%	77.5%	1.9%
NKY	21.7%	-1.1%	47.3%	19.2%	2.0%	46.2%	1.2%	3.0%	67.5%	5.1%	-0.3%	75.9%	-1.9%
KOSPI2	12.6%	-0.4%	15.4%	12.4%	7.1%	57.5%	3.9%	0.5%	75.6%	5.2%	-0.7%	80.5%	0.3%
ASX 200	14.3%	0.5%	60.1%	9.9%	4.7%	34.0%	2.7%	0.1%	64.2%	7.1%	0.0%	55.6%	-1.2%
NIFTY	14.2%	-0.2%	6.3%	11.8%	2.9%	32.6%	2.6%	0.7%	38.4%	5.8%	0.6%	74.0%	0.5%
TWSE	14.6%	-0.3%	63.1%	10.2%	2.0%	37.2%	0.7%	1.0%	16.8%	4.1%	-0.5%	63.5%	1.2%

Source: BofA Merrill Lynch Global Research

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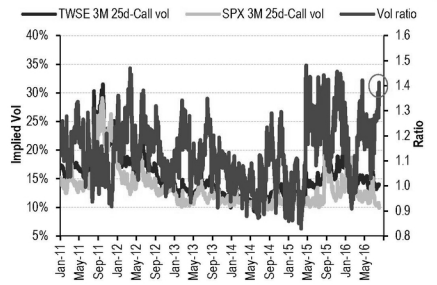
TWSE 3M 25d-Call IV over SPX is near its 4-year highs

Table 6 lists Asian index pairs with the highest IV ratio vs. their 4-year histories. For instance, the ratio of TWSE 3M 25d-Call vol over SPX is near its 4-year highs.

Chart 38: The ratio of TWSE 3M 25d-Call IV over SPX is near its 4-yr highs (Daily data from 1-Jan-11 through 5-Aug-16)



Source: BofA Merrill Lynch Global Research. Daily data from 1-Jan-11 through 5-Aug-16

Table 6: Index pairs^ with the highest implied vol ratio vs. their histories (data as of 5-Aug-16)

	Index A (Implied vol)	Index B (Implied Vol)	A/B Implied Vol ratio	Ratio 4-yr percentile
3M ATM	TWSE (14.6%)	SPX (11.8%)	1.23	97%
6M ATM	SX5E (20.0%)	SPX (13.7%)	1.46	96%
12M ATM	SX5E (20.2%)	SPX (15.4%)	1.31	98%
3M 25d-Put	TWSE (17.1%)	SPX (15.5%)	1.10	97%
6M 25d-Put	TWSE (17.8%)	SPX (17.9%)	0.99	93%
12M 25d-Put	SX5E (24.2%)	SPX (19.9%)	1.22	96%
3M 25d-Call	TWSE (13.9%)	SPX (9.9%)	1.41	97%
6M 25d-Call	SX5E (17.5%)	SPX (11.3%)	1.54	97%
12M 25d-Call	SX5E (18.2%)	SPX (12.8%)	1.42	98%

Source: BofA Merrill Lynch Global Research

^ Index universe includes the ASX200, HSCEI, HSI, KOSPI2, NIFTY, NKY, TWSE, SPX and SX5E

* mid level implied vol

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Summary of Open Trades (08-Aug-16)

Table 7: Summary of open trades as of 08-Aug-16

Trade Description	Open Date	Open Level	Trade Value	Expected Trade Term	Rationale
Long SX5E vs short SPX Dec18 var swap	5-Jul-16	6.1 vols	5.2 vols	Dec-18 expiry	Investors should re-assess attractiveness of popular and (typically) technically motivated longer-dated RV vol trades, given environment of structurally higher political & economic risks and increasingly limited policy options
Long NKY vs short SPX Dec18 var swap	5-Jul-16	5.7 vols	4.9 vols		
Long SX5E vs short SPX Dec18 put vs put	5-Jul-16	0.00%	-0.62%		
Long 3M 25d EFA put vs short 3M 25d UKX put	5-Jul-16	0.00%	0.16%	3 months	FTSE 3M 25d put vol near 7hr highs vs. vol on EFA
Buy CMB Sep16 105-115% call spread	5-Jul-16	2.32%	3.01%	Sep-16 SQ expiry	Continuous Southbound inflow benefit financials sector and narrow AH premium
Buy ICBC Sep16 105-115% call spread	5-Jul-16	2.12%	4.17%		
Buy BOC Sep16 105-115% call spread	5-Jul-16	2.10%	3.79%		
Long 0.5x V2X Oct16 future, long 0.5x V2X Nov16 future, short V2X Jan-17 future	11-Jul-16	0.25 vols	-0.28 vols	Oct-16 expiry	Hedge further Brexit fallout, Italian bank & referendum risk
Buy a 6M ATM worst-of call on XLP & GLD	11-Jul-16	1.05%	0.48%	6 months	Cheaply construct risk-limited "uber-barbell" portfolio
Buy a 6M ATM worst-of {SPX put, GLD call}	11-Jul-16	1.60%	1.01%	6 months	Low-cost macro hedge for US equity portfolios
Buy Oct16 110%f calls on VIE FP, AI FP, IBE SQ, STAN LN and MUV2 GY	18-Jul-16	2.37%	2.37%	Oct-16 expiry	Add exposure via inexpensive upside on single names where positioning appears particularly bearish and stocks have underperformed vs. their sectors
Buy an Oct16 110%F call on an equally weighted basket (quanto EUR)	18-Jul-16	0.81%	0.69%	Oct-16 expiry	
Buy TLS 25-Aug16 95% puts	18-Jul-16	1.05%	1.67%	25-Aug-16	To hedge potential earning downside surprise
Buy CSL 25-Aug-16 95% puts	18-Jul-16	1.09%	0.72%		
Buy Newcrest 25-Aug-16 105/115% call spreads	18-Jul-16	2.64%	1.90%		To hedge potential earnings upside surprises
Buy BHP 25-Aug-16 105/115% call spreads	18-Jul-16	2.22%	1.26%		
Replace T long position via 3M ATM calls	19-Jul-16	2.72%	2.50%	3 months	Our analysts expect positive and impactful catalysts in Q3-2016; recent strong performance and depressed short dated implied vol favor stock replacement via calls to reduce downside risk, maintain upside and lock in profits
Replace LOW long position via 3M ATM calls	19-Jul-16	3.90%	3.66%		
Replace RTN long position via 3M ATM calls	19-Jul-16	3.16%	3.45%		
Replace CRM long position via 3M ATM calls	19-Jul-16	4.16%	3.50%		
Replace CRM long position via 3M ATM calls	19-Jul-16	2.32%	1.26%		
Overlay long WBA long position with 3M ATM calls	19-Jul-16	4.04%	2.49%	3 months	Position for accelerated upside returns ahead of closing the Rite Aid acquisition
Buy a 6M ATM best-of put on SPX & TLT	18-Jul-16	0.8%	0.49%	6 months	Cheap hedge against a bond tantrum
Buy a 1Y ATM worst-of call on SPX & TLT	18-Jul-16	0.9%	0.83%	1 year	Cheap equity upside in a bond / equity melt-up
Buy XLF Sep 24 strike call	25-Jul-16	1.4%	1.9%	Sep-16 expiry	Record outperformance of Utilities vs. Financials + FMS positioning + central bank catalysts = potential for cyclicals / defensives mean reversion
Buy XLU Sep 51 strike put	25-Jul-16	1.3%	2.5%		
Buy a 6M ATM worst-of {XLF call, XLU put}	25-Jul-16	1.35%	2.31%	6 months	
Sell 1x SX7E 1M 25d call to fully finance 1.85x SX5E 1M 25d calls	25-Jul-16	0.0%	0.28%	1 month	SX7E 1M 25d call / SX5E 1M 25d call price ratio is in the 100th 2-yr percentile
Short VIX Oct 15 put vs. long VIX Nov 19/26 call spread	1-Aug-16	$0.45	$0.125	Oct VIX expiry	Sell VIX Oct puts to leverage likely floor in vol ahead of US elections and cheapen shallow hedges
Buy HSCEI Aug16 9400 call, Short Oct16 10000 call	1-Aug-16	0.00%	0.04%	Aug-16 expiry	Short-term bullish China trade with term structure at its steepest in 4yrs

Source: BofA Merrill Lynch Global Research. Prices reflective of most recently available data which may be delayed in some cases. "Trade Value" represents current valuation of trades initiated on the "Open Date".

Summary of Closed Trades (08-Aug-16)

Table 8: Summary of closed trades as of 08-Aug-16

Trade Description	Open Date	Open Level	Close Level	Close Date	Rationale
Buy NKY Aug-16 105%-110% call spreads & sell 90% puts	11-Jul-16	0.26%	1.73%	25-Jul-16	Take profit as the hurdle to surprise on the upside is high following a 5.8% NKY rally
Replace FB long positions via Oct-16 ATM calls	25-Jul-16	5.9%	6.1%	1-Aug-16	Take profit as Facebook rallied on better-than expected Q2 results
Replace AMZN long positions via Oct-16 ATM calls	25-Jul-16	5.5%	6.3%	1-Aug-16	Take profit as Amazon rallied on better-than expected Q2 results
Buy AAPL Oct-16 ATM protective puts	25-Jul-16	4.6%	1.2%	1-Aug-16	Remove protection as worries around disappointing Q4 guidance faded post earnings
Buy 1.5x 5-Aug-16 2950-3000 strangles by selling 1x 19-Aug-16 2950-3000 strangles	25-Jul-16	0.00%	-1.12%	5-Aug-16	The BoJ, Fed & EU bank stress tests could move mkts sharply in the near term
Sell NKY Aug16 15500 puts, Buy Sep16 15500-14500 put spreads	25-Jul-16	0.24%	0.28%	Aug-16 expiry & Sep-16 expiry	Unwinding before the Aug16 expiry; The NKY Sep put spread has carried well

Source: BofA Merrill Lynch Global Research. Prices reflective of most recently available data which may be delayed in some cases. "Trade Value" represents current valuation of trades initiated on the "Open Date".

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Volatility in Numbers (05-Aug-16)

Table 9: Statistics on implied, realised, skew and term structure for 3-month and 12-month vols (developed markets)

	3-month							12-month						
	S&P500	ESTX50	FTSE	DAX	NKY	HSI	KOSPI	S&P500	ESTX50	FTSE	DAX	NKY	HSI	KOSPI
Implied	11.9%	19.2%	12.6%	17.8%	21.7%	17.5%	12.6%	15.4%	20.2%	15.9%	19.6%	21.1%	18.6%	15.0%
%tile (2yr)	4.4%	30.2%	20.2%	19.0%	51.5%	30.4%	18.1%	13.1%	46.0%	46.2%	33.7%	53.2%	34.3%	24.4%
1Week Change	-0.7%	-0.6%	-0.7%	-1.1%	-1.1%	-0.6%	-0.4%	-0.6%	-0.4%	-0.2%	-0.7%	-0.7%	-0.2%	-0.2%
1Mth Change	-2.5%	-5.2%	-5.1%	-5.8%	-1.9%	-1.8%	-0.5%	-1.6%	-2.6%	-1.9%	-2.8%	-1.0%	-0.5%	-0.2%
Realised	13.1%	27.5%	18.9%	24.4%	27.0%	17.3%	12.8%	17.0%	26.1%	20.5%	25.6%	29.4%	21.9%	14.3%
%tile (2yr)	45.0%	79.9%	69.6%	68.9%	69.1%	42.2%	65.9%	95.6%	94.3%	96.4%	95.8%	98.4%	73.8%	96.7%
1Week Change	-0.1%	0.4%	0.2%	-0.1%	-1.2%	-0.3%	0.6%	0.0%	-0.2%	0.1%	0.0%	0.1%	-0.1%	0.1%
1Mth Change	-0.4%	-0.5%	-0.4%	-0.5%	-2.7%	-1.1%	0.8%	-0.2%	-0.1%	-0.1%	-0.2%	0.2%	-1.6%	-0.1%
Imp-real spread	-1.2%	-8.3%	-6.4%	-6.6%	-5.3%	0.2%	-0.3%	-1.6%	-5.9%	-4.6%	-6.0%	-8.3%	-3.3%	0.8%
Spread %tile (2yr)	19.8%	3.1%	8.3%	4.8%	22.5%	37.9%	18.1%	0.2%	0.0%	0.0%	0.0%	0.0%	9.5%	0.8%
1Week Change	-0.6%	-0.9%	-0.9%	-1.0%	0.2%	-0.3%	-1.0%	-0.6%	-0.2%	-0.3%	-0.7%	-0.8%	-0.1%	-0.3%
1Mth Change	-2.1%	-4.6%	-4.7%	-5.3%	0.8%	-0.7%	-1.3%	-1.4%	-2.5%	-1.8%	-2.6%	-1.2%	1.1%	-0.1%
90-110 skew	9.5%	8.4%	7.5%	8.6%	5.1%	5.4%	5.2%							
%tile (2yr)	3.3%	78.5%	9.4%	77.6%	53.4%	69.2%	64.2%							
1Week Change	-0.2%	-0.1%	0.0%	-0.4%	-0.2%	-0.2%	-0.7%							
1Mth Change	-2.6%	-0.4%	-3.2%	-0.5%	-1.2%	-1.3%	-0.6%							

	10-day realised							12M - 3M term vol spread						
	S&P500	ESTX50	FTSE	DAX	NKY	HSI	KOSPI	S&P500	ESTX50	FTSE	DAX	NKY	HSI	KOSPI
Current Level	6.0%	15.7%	10.5%	13.3%	18.6%	14.9%	11.9%	3.5%	1.0%	3.4%	1.8%	-0.5%	1.1%	2.4%
%tile (2yr)	7.1%	22.0%	24.1%	9.3%	45.6%	36.7%	52.8%	98.3%	86.6%	100.0%	96.0%	50.8%	69.2%	72.2%
1Week Change	1.6%	5.2%	4.9%	2.4%	2.1%	4.5%	6.8%	0.1%	0.2%	0.5%	0.4%	0.4%	0.5%	0.3%
1Mth Change	-20.0%	-37.1%	-23.2%	-30.1%	-26.1%	-6.7%	-5.3%	0.9%	2.5%	3.2%	2.9%	0.9%	1.3%	0.3%

	Cash index						
Current Level	2,182.87	2,973.71	6,793.47	10,367.21	16,254.45	22,146.09	252.36
1Wk Change	0.43%	-0.57%	1.03%	0.29%	-1.90%	1.16%	0.35%
1Mth Change	4.52%	5.72%	3.79%	8.76%	3.73%	6.72%	2.21%

Source: BofA Merrill Lynch Global Research

Table 10: Statistics on implied, realised, skew and term structure for 3-month and 12-month vols (emerging markets)

	3-month				12-month			
	EEM US	IBOV	RDXUSD	TOP40	EEM US	IBOV	RDXUSD	TOP40
Implied	18.8%	21.7%	28.2%	19.4%	21.2%	23.5%	29.3%	21.8%
%tile (2yr)	34.5%	2.4%	5.5%	59.1%	40.7%	22.0%	16.4%	80.2%
1Wk Change	-0.8%	0.0%	-1.6%	0.3%	-0.9%	-0.1%	-1.3%	0.4%
1Mth Change	-3.6%	-3.0%	-3.8%	-2.3%	-2.2%	-1.9%	-3.3%	-1.0%
Realised	22.1%	21.8%	25.7%	17.9%	24.3%	27.7%	36.2%	20.4%
%tile (2yr)	65.9%	27.2%	20.8%	47.5%	94.8%	94.0%	45.7%	94.0%
1Wk Change	-0.8%	-0.5%	-0.6%	-0.4%	-0.1%	0.0%	-0.2%	-0.1%
1Mth Change	-1.5%	-4.4%	-4.2%	-0.3%	-0.6%	-0.2%	-0.4%	-0.6%
Imp-real spread	-3.2%	-0.1%	2.6%	1.5%	-3.1%	-4.3%	-6.9%	1.4%
Spread %tile (2yr)	12.9%	44.2%	52.4%	51.1%	0.2%	0.0%	0.0%	16.6%
1Wk Change	-0.1%	0.5%	-1.0%	0.7%	-0.9%	0.0%	-1.1%	0.6%
1Mth Change	-2.1%	1.4%	0.4%	-2.0%	-1.6%	-1.7%	-2.9%	-0.4%
90-110 skew	7.8%	5.3%	6.0%	8.7%				
%tile (2yr)	63.8%	48.5%	14.8%	62.6%				
1Wk Change	0.3%	0.0%	-0.1%	-0.2%				
1Mth Change	0.0%	-0.5%	-0.8%	-0.6%				

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Table 10: Statistics on implied, realised, skew and term structure for 3-month and 12-month vols (emerging markets)

	10-day realised				12M - 3M term vol spread			
	EEM US	IBOV	RDXUSD	TOP40	EEM US	IBOV	RDXUSD	TOP40
Current Level	10.4%	13.2%	18.5%	11.0%	2.4%	1.8%	1.1%	2.3%
%tile (2yr)	4.2%	3.4%	5.3%	16.6%	74.1%	98.3%	88.1%	90.0%
1Wk Change	-0.5%	2.4%	6.2%	2.3%	-0.1%	-0.1%	0.3%	0.1%
1Mth Change	-31.3%	-15.2%	-8.8%	-19.6%	1.5%	1.1%	0.5%	1.3%
	Cash index							
Current Level	36.62	57,661.14	1,090.44	45,385.74				
1Wk Change	1.15%	0.62%	1.72%	-1.16%				
1Mth Change	7.86%	11.22%	1.44%	0.12%				

Source: BofA Merrill Lynch Global Research

Bank of America Merrill Lynch

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I, Benjamin Bowler, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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From: Weingarten, Reid [redacted]
Sent: 8/12/2016 1:58:39 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: RE: Re:

Importance: High

This is a big deal

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Friday, August 12, 2016 9:26 AM
To: Weingarten, Reid
Subject: Re:

August 11, 2016
A federal jury decided Thursday that one of the Middle East's most prominent banks did not commit fraud and steal technology from an Irvine firm that sued it for half a billion dollars in damages after their partnership collapsed.
Orange County company InfoSpan had alleged that Emirates NBD ended a partnership for a mobile payment system because it didn't want to share revenue and stole InfoSpan's technology to launch its own service.
The Dubai-based bank, in turn, denied it stole or ever used InfoSpan's technology. It argued that it cancelled the partnership because InfoSpan couldn't produce a working product and misled it into thinking it was an established company, not one with little to no track record.
After deliberating for a day, the jury unanimously decided that InfoSpan did not prove its case of fraud and theft of trade secrets.
InfoSpan had asked for $540 million in damages. An attorney for InfoSpan declined to comment on the possibility of an appeal.
The verdict capped a two-week trial that involved dueling accusations of fraud levied by high-profile attorneys on both sides, including the former White House counsel to President Obama.
At the center of the high-stakes battle was San Juan Capistrano resident and entrepreneur Farooq Bajwa and a mobile payment system that he said would allow migrant workers in the Middle East to send remittances back home through text messages.
Bajwa contended that InfoSpan, with support from outside investors, spent $87 million developing the business and technology.
To launch the system, known as SpanCash, Bajwa partnered in 2007 with Emirates Bank, which is controlled by the United Arab Emirates' sovereign wealth fund.
It seemed the ideal collaboration for the Pakistani immigrant, who earned millions operating another Irvine company that manufactured computer components in the 1980s and 1990s
The Gulf States rely heavily on migrants to work construction and other low-wage jobs, offering a ready-made market for SpanCash. InfoSpan aimed to allow migrants to transfer money back home far more cheaply than Western Union or hawala, a traditional Middle Eastern broker-to-broker money transfer system.
A study from McKinsey & Co., cited in court records, projected annual revenue of $3.5 billion by the deal's fifth year, with InfoSpan receiving more than $2.8 billion in fees.
But the relationship between InfoSpan and Emirates Bank soured and the bank cancelled the deal in 2009.
A few days later, Emirates filed a criminal complaint in Dubai against Bajwa and a partner alleging that they defrauded the bank and misrepresented InfoSpan as an established business with a working technology.
Two years later, InfoSpan sued in U.S. District Court in Santa Ana and alleged that its technology was working and that it delivered its source code to the bank on servers. Emirates ended the deal, InfoSpan said, to launch its own mobile payment system after stealing InfoSpan's technology.
In court, an attorney for InfoSpan argued that Emirates torpedoed the InfoSpan relationship because it abhorred how much money it would have to share with the Irvine firm.

"They wanted SpanCash and they wanted the money," attorney William A. Isaacson said in his closing arguments Wednesday.
Isaacson – a partner with powerhouse law firm Boies Schiller & Flexner, chaired by high-profile litigator David Boies – argued that the bank resorted to "pure extortion" in an attempt to get its way.
As a result of the bank's criminal complaint, InfoSpan alleged Bajwa's partner, Larry Scudder, was detained at the Dubai International Airport and taken to a cell where he was locked in with 30 other men for 19 hours until he secured his release by turning over his passport.
According to the lawsuit, Bajwa tried to resolve the situation but was told Scudder's passport would be released and he could leave the country only if InfoSpan gave up ownership and control of SpanCash to the bank.
Six months later, the bank withdrew the fraud accusations and Scudder got his passport back, but SpanCash's reputation was tarnished and it collapsed, Bajwa previously told The Times.
The bank disputed that it acquired InfoSpan's source code or used it at any time.
Former White House counsel and an attorney for the bank, Kathryn Ruemmler, said that Emirates never would have acquired source code in a joint-partnership deal like the one reached with InfoSpan. She said such technology would instead be held by a third-party escrow company for the length of the partnership.
In her closing arguments, the partner with global firm Latham & Watkins told the jury that Bajwa and InfoSpan sold the bank a "bill of goods," arguing that despite promises to Emirates, the technology never worked and InfoSpan wasn't as big a company as it claimed.
The bank cancelled the deal and filed a criminal complaint, not as a form of extortion but simply to regain the bank's money after it was misled and doubts grew about the character of InfoSpan's employees, Ruemmler told the jury.
"They concluded, definitively, that they had been defrauded," she said.
Lubna Qassim, group general counsel for Emirates Bank, said in a statement after the verdict that "Emirates Bank is gratified by today's decision and the opportunity to receive a fair trial in U.S. courts."
Bajwa said the trial has taken a toll on him and he doesn't know his next steps.
"I am just beat up," he said.
Phil Hirschkorn contributed to this report.
[redacted]

On Fri, Aug 12, 2016 at 7:23 AM, Weingarten, Reid [redacted] > wrote:

Hope she is pleased/happy/satisfied/proud

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Thursday, August 11, 2016 8:16 PM
To: Weingarten, Reid
Subject:

your girl won

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From: Deepak Chopra [[redacted]
Sent: 8/20/2016 2:04:14 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

I agree
Maybe then just stick to Sept 18th meeting - polite and courteous -
I will be respectful and deferential .
On the advice of Leonard I'm removing all criticism of scientists from the book
A production company in LA - connected to my son - is doing a documentary film on the new book .
They are looking for critics
I will film part of it as a lecture Al Gore * Inconvenient Truth " style in Nantucket .
I sent you the poster .
Can send it again by text
They would welcome his criticism
I think we should wait to discuss until Sept 18th unless you suggest we invite him on Sept 23 to Nantucket ?
I'm thinking what I should do with the Autumn of my life.
Will get clarity during silence .
The energy of pleasure has exhausted itself in me as also the energy that goes into " being right "
I'm ready to serve In a meaningful way
Love

Deepak Chopra
[redacted]

Super Genes: Unlock the Astonishing Power of Your DNA for Optimum Health and Wellbeing

On Aug 20, 2016, at 9:30 AM, jeffrey E. <jeevacation@gmail.com> wrote:

i ll be any help i can, we are all of the same generation , it is silly to argue with hubris

On Sat, Aug 20, 2016 at 9:24 AM, Deepak Chopra <[redacted]> wrote:

I just landed in NY
I'm staring a new phase in my life visa vis my relationship with my critics
2 scientific papers on my work will be out soon
Leonard read the new book and made some corrections so now 3 physicists have made sure that the science is accurate
If you haven't sent the book to him please hold off so he gets a corrected copy.
I'm going to get off my high horse (the tiger I can't) and try and start a dialogue with anyone who is willing .
I will do as you guide me
I'm going this afternoon to NJ to do a fundraiser for an orphanage and then to Boston until Monday afternoon
Meeting Barnaby on Monday afternoon

Tuesday I'm doing an event in NY with Eric Schadt to announce new meditation research
Go for silence on Aug 28 th
Love

Deepak Chopra
[redacted]

Super Genes: Unlock the Astonishing Power of Your DNA for Optimum Health and Wellbeing

On Aug 20, 2016, at 8:09 AM, jeffrey E. <jeevacation@gmail.com> wrote:

im sure if you like we can begin the krause counseling session on skype.

--
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Date: Saturday, October 8 2016 08:28 PM
Subject: Re: Take a look at this...
From: Landon Thomas Jr. <[redacted]>
To: jeffrey E. <jeevacation@gmail.com>;

What are the trump money guys saying now?

Sent from my iPhone
On Oct 8, 2016, at 4:24 PM, jeffrey E. <jeevacation@gmail.com> wrote:

> ok
>
> On Sat, Oct 8, 2016 at 3:11 PM, Thomas Jr., Landon <[redacted]> wrote:
>
> Would interested to see what Bill Gates thinks of this story. He is backing these PE guys who are putting their money in private hospitals in India/Africa. Pretty interesting stuff.
>
> http://www.nytimes.com/2016/ 10/09/business/dealbook/an- investors-plan-to-transplant-private-health-care-in-africa.html?rref=collection%2Fbyline% 2Flandon-thomas-jr.&action=click&contentCollection=undefined&region=stream &module=stream_unit &version=latest&contentPlacement=1 & pgtype=collection& _r=0
>
> --
>
> Landon Thomas, Jr.
> Financial Reporter
> New York Times
> [redacted]
> http://topics.nytimes.com/top/ reference/timestopics/people/ t/landon_jr_thomas/index.html

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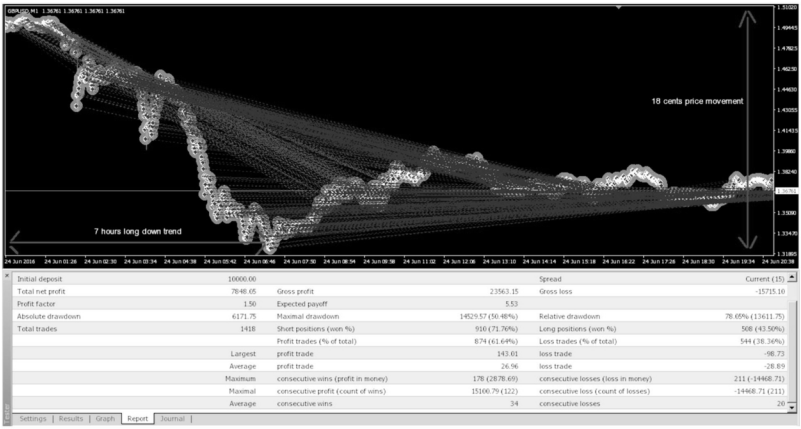
Trading Algorithm by Gennady Mashtalyar

Brexit day or how does my algorithm react to large one-side movements

Dear Jeffrey,

I was thinking how to better answer your question regarding risks associated with a large opposite side movement against my algorithm's logic. I decided to test-run Brexit day on GBP/USD to provide you with a practical example of how my algorithm would react to a sudden 18 cents price movement down in a day*.



Initial deposit	10000.00			Spread	Current (15)
Total net profit	7848.65	Gross profit	23563.15	Gross loss	-15715.10
Profit factor	1.50	Expected payoff	5.53		
Absolute drawdown	6171.75	Maximal drawdown	14529.57 (50.48%)	Relative drawdown	78.65% (13611.75)
Total trades	1418	Short positions (won %)	910 (71.70%)	Long positions (won %)	508 (43.50%)
		Profit trades (% of total)	874 (61.64%)	Loss trades (% of total)	544 (38.36%)
	Largest	profit trade	143.01	loss trade	-98.73
	Average	profit trade	26.96	loss trade	-28.89
	Maximum	consecutive wins (profit in money)	178 (2878.69)	consecutive losses (loss in money)	211 (-14468.71)
	Maximal	consecutive profit (count of wins)	15100.79 (122)	consecutive loss (count of losses)	-14468.71 (211)
	Average	consecutive wins	34	consecutive losses	20

**Red lines represent open and close positions for short contracts. Blue lines represent open and close positions for long contracts.

As you can see from a picture above, pound was dropping for 7 consecutive hours from 1.50 to 1.32 against the dollar during Asian trading hours on June 24th (during votes count in the UK). Seven hours long 18 cents movements are extremely rare in currency markets. However, 3 cents movements are very common and can be predicted beforehand. For instance, currency traders can expect increased volatility every time the Fed member speaks, U.S. releases unemployment data, Draghi talks about QE efficiency, or elections take place. These days and hours are well known beforehand. Professional and *responsible* investors must have case A and B planned out before any influential data release.

*I can only test my algorithm for 24 hour timeframes from 00:00 to 23:59 of a day with my current hardware and software, thus this particular example includes short trades opened before the 18 cent drop and they are working well as a hedge.

While this particular example above illustrates good results by the end of the day (+$7,848 and $1,600 maximum drawdown from starting balance), there are certainly markets situations that require large margins and can not be expected beforehand. These are usually terrorist attacks, sudden nature disasters, or even FOX News releasing FBI renewal investigation over Clinton and following speculation on Trump's lead prior U.S. elections.

The Brexit day example is certainly a good case scenario for my algorithm. It provides algorithm with a large volatility and many profitable opportunities. However, there are other large one-side price movements in financial markets that can destroy not only my model, but many other trading strategies if wrong side position is held. In the last month financial markets experienced pound flash-crash in the middle of a random night. GBP/USD dropped for about 10 cents in 2 minutes and jumped back. Many got rich and many got poor for 120 seconds while in their sleep. The only thing that secures investments is responsible trading, which is placing stop losses and not risking more than some percentage per trade.

As a CFA Candidate and a prospective algorithmic hedge-fund manager I cannot say investing even in T-Bills is 100% safe and can only say currency trading involves high risk. The only thing I can ~~assure~~ tell you *(in my personal opinion)* that $10,000 is a lowest ~~safe~~ *responsible* sum of money needed to operate with the model where $5,000 is used for margin alone and $5,000 is set to be used as a bad case scenario expected drawdown value or a stop loss.

P.S. Jeffrey, I want to introduce you to some algorithmic trading concepts and terms needed to understand trading algorithms better.

- Algorithmic trading is highly dependent on statistics and averages over a long-term history.
- Drawdown – maximal losing dollar amount for open or closed positions from starting balance.
- Algorithm ceiling – largest amount of money an algorithm can work with (large trades can influence market conditions against an algorithm).
- Percentage of profit and loss trades: 53.99% profit and 46.01% loss trades this summer on a "back-test"
- Average profit trade: $20.74 this summer on a "back-test"
- Average loss trade: $14.13 this summer on a "back-test"
- Number of trades per time period: 45,221

P.P.S. Drawdown value for a condition where price goes down, my algorithm buys a long contract every minute and does not hold short contracts can be estimated in the Excel file attached to the email (Estimation of losing P&L).

HOUSE_OVERSIGHT_026012

Results of a scenario where a currency pair loses 0.0001 from 1.11 to 1.0741 (3.59 cents total) every single minute for 360 consecutive minutes can be seen below. This is an extreme case scenario of a pair losing its value for 6 consecutive hours without any retracement. Please, take a note that duration and consistency of a price drop are much more important than the value a drop itself.

HOUSE_OVERSIGHT_026013

On Nov 4, 2016, at 6:07 PM, Zubair Khan <[redacted]> wrote:

Trump is definitely winning popular vote so far. According to our data winning chances of Trump are 52% in Electoral college.

> On Nov 4, 2016, at 5:46 PM, jeffrey E. <jeevacation@gmail.com> wrote:
>
> thats in the popular vote , not talking into account the elctoral college?
>
> On Fri, Nov 4, 2016 at 1:43 PM, Zubair Khan [redacted] > wrote:
>
> > Hi Jeffrey,
> >
> > According to InsightsPod Trump is more popular. We processed 3 million tweets this week.
> >
> > I have attached detailed report.
> >
> > Regards,
> > Zubair
> >
> > > On Oct 9, 2016, at 4:06 PM, jeffrey E. <jeevacation@gmail.com> wrote:
> > >
> > > jeevacation
> > >
> > > On Sat, Oct 8, 2016 at 11:20 PM, Zubair Khan <[redacted]> wrote:
> > > > What is your Skype ID?
> > > >
> > > > Thanks.
> > > >
> > > > On Saturday, 8 October 2016, jeffrey E. <jeevacation@gmail.com> wrote:
> > > > > yes
> > > > >
> > > > > On Sat, Oct 8, 2016 at 7:07 AM, Zubair Khan [redacted] > wrote:
> > > > > > Hi Jeffrey,
> > > > > >
> > > > > > Are you available to talk today?
> > > > > >
> > > > > > Regards,
> > > > > > Zubair
> > > > > >
> > > > > > > On Oct 6, 2016, at 11:24 AM, jeffrey E. <jeevacation@gmail.com> wrote:
> > > > > > >
> > > > > > > skyype good this weekend?
> > > > > > >
> > > > > > > On Thu, Oct 6, 2016 at 5:42 AM, Zubair Khan <[redacted]> wrote:
> > > > > > > > Hi Jeffrey,
> > > > > > > >
> > > > > > > > Just wondered if you have time to discuss the business plan of InsightsPod on Skype or if you prefer I can meet you in person after 19th Oct.
> > > > > > > >
> > > > > > > > Regards,
> > > > > > > > Zubair
> > > > > > > >
> > > > > > > > On Sunday, 25 September 2016, jeffrey E. <jeevacation@gmail.com> wrote:
> > > > > > > > > Skype this week?
> > > > > > > > >
> > > > > > > > > On Sunday, 25 September 2016, Zubair Khan <[redacted]> wrote:
> > > > > > > > > > Hi Jeffrey,
> > > > > > > > > >
> > > > > > > > > > Please find attached InsightsPod business plan for your consideration.
> > > > > > > > > >
> > > > > > > > > > Since Twitter is live streaming the presidential debates, the social media activity will accelerate and it will help us in making better predictions of outcome. It was apparent from the US Election report, which I sent you previously that we need a Data Scientist who can

translate our data into better insights. Taking this into account I hope you can help us by backing this venture.

Thanks,

Zubair

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Best regards,
Zubair Khan
Chief Executive Officer | **Tranchulas**
London | San Francisco | Auckland | Islamabad

email: [redacted] **web:** www.tranchulas.com

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Best regards,

Zubair Khan

Chief Executive Officer | **Tranchulas**
London | San Francisco | Auckland | Islamabad

email: [redacted] web: www.tranchulas.com

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Date: Thursday, November 10 2016 10:23 PM
Subject: Re:
From: [redacted]
To: jeffrey E. <jeevacation@gmail.com>;

Shocking. So ridiculous.

[redacted]

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On Nov 10, 2016, at 5:01 PM, jeffrey E. <jeevacation@gmail.com> wrote:

http://www.dailymail.co.uk/news/article- 3914012/Troubled- woman-history-drug-use-claimed-assaulted-Donald-Trump-Jeffrey-Epstein-sex-party-age-13-FABRICATED- story.html

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From: [redacted]
Sent: 11/12/2016 9:23:22 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

Sorry in the conference room listening to the Portuguese prime minister ....
Nthg revolutionary really .
Was watching tv last night - either Trump is a misunderstood genius or it s going to be complicated ...

Ariane de Rothschild

On 12 Nov 2016, at 09:35, jeffrey E. <jeevacation@gmail.com> wrote:

cam you speak now?

On Fri, Nov 11, 2016 at 6:29 PM [redacted] wrote:

I see who you re talking about . Brilliant , but I was told his wife didn t want to move from London esp not Geneva . Do you mind asking him ?

Ariane de Rothschild

On 11 Nov 2016, at 22:48, jeffrey E. <jeevacation@gmail.com> wrote:

met a really intersting banker for you to meet , former cfo deutsch bank, former cfo bmw german, born in south america.

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From: Robert Lawrence Kuhn [redacted]]
Sent: 11/28/2016 4:11:04 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

Fun (transient) with Trump-China:

"What China Thinks of President-Elect Trump" broadcast on CCTV News, discussion with former Chinese ambassador to U.S. and head of Chinese Association of American studies - streamed - http://english.cntv.cn/2016/11/13/VIDEytqd1tlf30eFnd6vTIxy161113.shtml

Interview - http://www.atimes.com/article/china-wants-build-relations-dealmaker-trump/

More fun (enduring) with Closer To Truth; working new episodes from FQXi conference (e.g., "Physics of the Observer", "Physics of Consciousness", "Quantum Cosmology of the Beginning?", Philosophy of Cosmology"); progressing on "Sleep & Dreams".

In LA for 2 weeks, then back to China; NY in January. You there then?

Love to get your sense of Trump's administration, policies.

Robert

On Nov 27, 2016, at 10:05 AM, jeffrey E. <jeevacation@gmail.com> wrote:

are you having fun?

On Sun, Nov 6, 2016 at 8:08 AM, Robert Lawrence Kuhn <[redacted]> wrote:
I almost get it….

On Nov 6, 2016, at 9:03 PM, jeffrey E. <jeevacation@gmail.com> wrote:

its not ba ba ba- bah . its regular (ba) ba ba ba - bah. regular four eighth notes , but the first is not sounded . changes the whole dynamic and wildly misunderstood

On Sun, Nov 6, 2016 at 2:00 PM, Robert Lawrence Kuhn <[redacted]> wrote:
Didn't know. Meaning of the rest note?

Mahler's 5th opens with the same rhythmic motif (but 4th note is the same as the first three, not lower as in Beethoven's) - Mahler's 5th is my favorite symphony.

On Nov 6, 2016, at 8:43 PM, jeffrey E. <jeevacation@gmail.com> wrote:

for me it is tied to music. beethovens fifth , is 555-3 . though unbeknownst to most people the first note (you can verify, bu looking at the score) , is a rest note (silent) so 0-555-3

On Sun, Nov 6, 2016 at 1:35 PM, Robert Lawrence Kuhn <[redacted]> wrote:

You've got a jumbo-sized right superior parietal lobe.

https://www.scientificamerican.com/article/our-brains-have-a-map-for-numbers/

On Nov 6, 2016, at 8:23 PM, jeffrey E. <jeevacation@gmail.com> wrote:

you mentioned it at my house. unfortunately , I cant avoid remembering numbers

On Sun, Nov 6, 2016 at 1:15 PM, Robert Lawrence Kuhn <[redacted]> wrote:

Yes! You beat my family. (How'd you know?)

I celebrated in Beijing by (i) developing the Sleep/Dream proposal we discussed, (ii) lunch with an MNC CEO, and (iii) playing two hours of intense table tennis with a top coach.

On Nov 6, 2016, at 6:30 AM, jeffrey E. <jeevacation@gmail.com> wrote:

birthday/?

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From: [redacted]
Sent: 11/28/2016 11:36:54 AM
To: [redacted]; jeevacation@gmail.com; [redacted]
Subject: Réf. : TR:
Attachments: butterfly_top.gif; butterfly_bottom.gif

Importance: High

Dear jeffrey

From our side we could postponed the trip ,visit the 2 works from Plant Thursday the 15th and have our meeting Friday the 16th all of us,but need an answer from Plant .
Please tell me if it is convenient for you Friday the 16th,or Thurday late afternoon

Thanks

jean

-------Message original-------

De : Jean HUGUEN
Date : 28/11/2016 10:01:14
A : 'Jean'
Sujet : TR:

De : jeffrey E. [mailto:jeevacation@gmail.com]
Envoyé : lundi 28 novembre 2016 01:23
À : jean.huguen@albertopinto.com; Lesley Groff [redacted]
Objet :

can you delay your trip one week, . trump related issues occupying my time. say 13 14 instead

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Animations GRATUITES pour vos emails Cliquez ici !

From: Michael Wolff [redacted]]
Sent: 11/28/2016 5:23:42 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

cool. great.

On Mon, Nov 28, 2016 at 12:22 PM, jeffrey E. <jeevacation@gmail.com> wrote:
wed and fri adn yes, Ive set you up to see the right hand of the Dep Cr Prince

On Mon, Nov 28, 2016 at 12:18 PM, Michael Wolff <[redacted]> wrote:
I will ask. How long in New York? Get together?

On Monday, November 28, 2016, jeffrey E. <jeevacation@gmail.com> wrote:
im here today flying to nw york tomow. if he is up to it ild love to sit with him , house or on plane if we wants a ride

On Mon, Nov 28, 2016 at 12:13 PM, Michael Wolff <[redacted]> wrote:
I think so.

On Mon, Nov 28, 2016 at 12:12 PM, jeffrey E. <jeevacation@gmail.com> wrote:
im in palm beach is roger here?

On Mon, Nov 28, 2016 at 12:11 PM, Michael Wolff <[redacted]> wrote:
Thought you might be interested in this--it's suddenly made me the only liberal-media guy with access to Trump circle. http://www.hollywoodreporter.com/news/steve-bannon-trump-tower-interview-trumps-strategist-plots-new-political-movement-948747

And...I have a bit of an idea for you re media and Saudi friends.

--

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From: Larry Summers [redacted]
Sent: 11/29/2016 12:13:41 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Re:

Importance: High

Always quiet advice to anybody who can use it. Try always discreet. If u become associated publicly w something the reputations converge. Looking fwd to meeting Karim.

Sent from my iPad

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Nov 29, 2016, at 6:23 AM, jeffrey E. <jeevacation@gmail.com> wrote:

ok, except I hope they can rely on you to give them guidance privately after the fact.? Karim Wade. is the son of the president of Senegal. (they just found GAS offshore). He is well educated and one of the most important figures in west africa. however full disclosure , he was put in jail to remove him from running against the current president . He is in qatar awaiting his political return to power which is almost guaranteed. He is the most charismatic ,and rational of all the africans and has theire respect.

On Tue, Nov 29, 2016 at 2:34 AM, Larry Summers <[redacted]> wrote:

Who is the guy you have set me up with?

Spend zero effort on anything about me w trump. Seeing his approach to conflict of interest, his Putin proximity, and his mindless response on Castro death I'm best off a million miles away.

Until they are deeply humbled by the fuckups that are sure to come, I serve myself and country best by doing nothing that involves loyalty to them.

Sent from my iPad

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

Begin forwarded message:

From: Afri zp <[redacted]
Date: November 29, 2016 at 3:26:13 AM GMT-3:30
To: "jeffrey E." <jeevacation@gmail.com>
Cc: Larry Summers <[redacted]>
Subject: Re:

Larry,

I'll be very please to meet or take you for diner. My mobile in Doha is [redacted]

Le 29 nov. 2016 à 00:16, jeffrey E. <jeevacation@gmail.com> a écrit :

larry, karim, karim - larry, larry will be in doha on wed, i think you two would enjoy meeting

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From: Michael Wolff [redacted]]
Sent: 11/29/2016 1:19:56 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

They came back to New York yesterday. He would like to meet, tho wary of being seen, etc. I will work it out.

On Mon, Nov 28, 2016 at 12:43 PM, Michael Wolff <[redacted]> wrote:
He is not so much shy, as paranoid. I have to contact him through his wife on a burner phone, which they don't reliably check. But have queried.

On Mon, Nov 28, 2016 at 12:39 PM, jeffrey E. <jeevacation@gmail.com> wrote:
im happy to go to him. if he is shy

On Mon, Nov 28, 2016 at 12:23 PM, Michael Wolff <[redacted]> wrote:
cool. great.

On Mon, Nov 28, 2016 at 12:22 PM, jeffrey E. <jeevacation@gmail.com> wrote:
wed and fri adn yes, Ive set you up to see the right hand of the Dep Cr Prince

On Mon, Nov 28, 2016 at 12:18 PM, Michael Wolff <[redacted]> wrote:
I will ask. How long in New York? Get together?

On Monday, November 28, 2016, jeffrey E. <jeevacation@gmail.com> wrote:
im here today flying to nw york tomow. if he is up to it ild love to sit with him , house or on plane if we wants a ride

On Mon, Nov 28, 2016 at 12:13 PM, Michael Wolff <[redacted]> wrote:
I think so.

On Mon, Nov 28, 2016 at 12:12 PM, jeffrey E. <jeevacation@gmail.com> wrote:
im in palm beach is roger here?

On Mon, Nov 28, 2016 at 12:11 PM, Michael Wolff <[redacted]> wrote:
Thought you might be interested in this--it's suddenly made me the only liberal-media guy with access to Trump circle. http://www.hollywoodreporter.com/news/steve-bannon-trump-tower-interview-trumps-strategist-plots-new-political-movement-948747

And...I have a bit of an idea for you re media and Saudi friends.

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From: Michael Wolff [redacted]
Sent: 11/29/2016 1:29:58 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

My guess is that he will be too paranoid. He believes NYP photographers are following him. But will ask.

On Tue, Nov 29, 2016 at 8:26 AM, jeffrey E. <jeevacation@gmail.com> wrote:
woudl you like to ask him to dinner tomrrow night you me and woody my house

On Tue, Nov 29, 2016 at 8:19 AM, Michael Wolff <[redacted]> wrote:
They came back to New York yesterday. He would like to meet, tho wary of being seen, etc. I will work it out.

On Mon, Nov 28, 2016 at 12:43 PM, Michael Wolff <[redacted]> wrote:
He is not so much shy, as paranoid. I have to contact him through his wife on a burner phone, which they don't reliably check. But have queried.

On Mon, Nov 28, 2016 at 12:39 PM, jeffrey E. <jeevacation@gmail.com> wrote:
im happy to go to him. if he is shy

On Mon, Nov 28, 2016 at 12:23 PM, Michael Wolff <[redacted]> wrote:
cool. great.

On Mon, Nov 28, 2016 at 12:22 PM, jeffrey E. <jeevacation@gmail.com> wrote:
wed and fri adn yes, Ive set you up to see the right hand of the Dep Cr Prince

On Mon, Nov 28, 2016 at 12:18 PM, Michael Wolff <[redacted]> wrote:
I will ask. How long in New York? Get together?

On Monday, November 28, 2016, jeffrey E. <jeevacation@gmail.com> wrote:
im here today flying to nw york tomow. if he is up to it ild love to sit with him , house or on plane if we wants a ride

On Mon, Nov 28, 2016 at 12:13 PM, Michael Wolff <[redacted]> wrote:
I think so.

On Mon, Nov 28, 2016 at 12:12 PM, jeffrey E. <jeevacation@gmail.com> wrote:
im in palm beach is roger here?

On Mon, Nov 28, 2016 at 12:11 PM, Michael Wolff <[redacted]> wrote:
Thought you might be interested in this--it's suddenly made me the only liberal-media guy with access to Trump circle. http://www.hollywoodreporter.com/news/steve-bannon-trump-tower-interview-trumps-strategist-plots-new-political-movement-948747

And...I have a bit of an idea for you re media and Saudi friends.

--

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Sent: 12/17/2016 2:43:49 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Fwd: Schulte Research: Deep dives into PRC fin tech ownership and Trump cabinet ownership. (DO NOT FORWARD)
Attachments: mime-attachment.png; mime-attachment.gif; mime-attachment.jpg

Importance: High

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gino

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Date: 17 December 2016 at 8:35:35 AM HKT
To: Gino Yu <[redacted]>

Sure. Forward

Founder and Editor
Schulte Research
[redacted]

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To: Paul Schulte <[redacted]>
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SCHULTE RESEARCH REPORT: ED 164

DEEP DIVES INTO PRC FIN TECH OWNERSHIP AND TRUMP CABINET OWNERSHIP. (DO NOT FORWARD)

12 December 2016
ED 164

CONTACT US

Paul Schulte
Founder, Schulte Research
[redacted]

Gavin Liu
Senior Analyst
[redacted]

IND-X Advisors Limited
Kinwick Centre, 8th Floor
32 Hollywood Road
Central
Hong Kong

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- **TRUMP CHOICES ARE ALL ABOUT KOCH BROS & OIL/GAS NETWORK: BUY RUSSIA... ALSO SAUDI BANKS.**
- **INVESTOR FEEDBACK: INFLATION COMING. BUY BOMBED OUT BANKS HSBC, KB, UNICREDIT? GROWING AGREEMENT ON BOOM IN US. BUY CITI, JPM.**

Schulte Research Report, ED 164: Slides

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1. Ping An & CICC are the 2 H shares that operate in the middle of Alibaba, Tencent, Lufax.

A. The chart below represents a deep dive we did on the new world of Chinese banking. Companies like Zhong An, WeBank and Lufax will grow dramatically and will take advantage of (as well as support) the massive worlds of Alibaba and Tencent. Together, Alibaba and Tencent have market cap of $500 bn. Popping up in many of these areas of overlap are Ping An and CICC. They are strategically placed to make great strides in China. This is slowly being recognized in the case of Ping AN (See Page 8 of attached PPT). Ping An's market cap is $97 bn. It is connected to Zhong An.. It owns 44% of Lufax. And some if its management were the very ones that started WeBank. It is perfectly positioned for the coming boom in new banking. It has the best combined ROA and ROE globally and its P/E of 10x is trading on a 50% discount to the global averages. Why is Ping An trading at a discount to AIA? BUY PING AN -- SELL AIA..

B. The other company which has the best return on capital of any broker dealer -- and is also positioned nicely for the coming boom in the new era of banking in China -- is CICC. CICC and CDH (a CICC breakaway) both invested in Zhong An and Lufax. CICC has vision and a proven track record.

Yet it has been a laggard. This is a top pick for H shares for China in 2017. The other bank with great vision in this area is CCB, which has invested in Ant Financial. BUY H shares CCB and CICC. (See attached PPT for portfolios and China fintech details).

C. IPOs in 2017. I think Zhong An will be a surprise for 2017 in the Hong Kong market. Its market cap is expected to be $10 bn and it has interesting potential in so many areas of insurance. It remains an insurance company whose marginal cost of a new customer is zero. It has a talented team of 900 engineers and has new AI and blockchain divisions. It is rolling out an impressive array of products including corporate solutions for insurance and investment plans. Lufax CEO Greg Gibb made a big splash at the Finnovasia (Schulte Research co-sponsored it) in Hong Kong last month. The company is a diversified financial conglomerate akin to "Schwab meets etrade and Fidelity" -- only 25 years ago. It needs an IPO north of $25 bn in order for the private equity partners to make money. Lastly, Ant Financial will come to the market for a $60 bn IPO in 2017 -- also in Hong Kong. This is a mothership company that goes to the heart of China's system. Its early investors are CIC, CDB, CCB, China Life and other vital organs of the system. It will not be allowed to fail. There are some questions about whether to own this through Alibaba, since Alibaba will own 33% of Ant post IPO. I'm in this camp. Buy Alibaba on this pullback. (See attached PPT for the full China Fintech Report).

---

2. Koch Industries saturates both the offices of Trump as well as Pence. Mega bullish for Russia, oil and gas companies. Mega bearish for alternative energy.

A. The Koch Brothers are not just two grumpy men -- they are a political party. Koch Industries is the second biggest private company in the US after Cargill. They operate public and secretive political entities in 32 states and dole out more than $500 million each political cycle to various entities in the strongest places. The political entities employ more than 1,200 people and the amount of donations available to right wing causes varies dramatically but is as high as $750 million per cycle. It is the third largest party in the US after the Democratic and Republican party. It controls the Libre Alliance, Americans for Prosperity, Freedom Partners, Institute for Energy Research, American Energy Alliance and Concerned Veterans.

B. What do they do with their money? They support right wing Republican candidates for all organizations -- attorneys general, Senate, House and state political figures. This is where it gets interesting. Freedom Partners is thought of as the "Koch bank". Guess who ran this? Marc Short. It controls about $250 mn in funds for political activity. Guess who employed Marc Short as chief of staff? Indiana Governor Mike Pence. Guess who then employed him as chief of staff? President-elect Trump. Matt Lloyd is in charge of communications and strategy for VP-elect Pence -- he came from Koch Industries. Governor Pence was a frequent attendee of the secretive semi-annual meetings of the Koch Brothers. Guess who raised more than $100 million for Freedom Partners? Don McGahn. Guess who is the new White House Counsel for President-elect Trump? Don McGahn. (McGahn was embroiled in the Tom Delay scandal in the 2000s). Guess who had two companies which had Koch Brothers as investors and whose chief of staff (Chenowith) came from the Koch world? The new CIA-designate chief Mike Pompeo. (Pompeo's Kansas campaign received a $900,000 donation from Koch). Guess who gave $1 mn to Americans for Prosperity? Education secretary designate Betsy Devos. Guess who has written the strategy paper for the Department of Energy transition? Tom Pyle -- He is affiliated with the Koch Industries Office of federal Affairs and the Institute for Energy Research. Guess who was caught up in a Koch Industries scandal for a petrochemical port project (with a Koch affiliated Messr. Henneberry)? Governor Nikki Haley who is UN Ambassador designate.

C. Advisors are ALL Koch-related. Here is where it gets fun. Former campaign advisor Corey Lewandowski came from KochLand. Rebekah Mercer is part of Koch and and gave $2.5 mn to Freedom Partners. Kellyanne Conway has connections to Pence from way back and is connected to Steve Bannon through the Center for National Policy. Trump deputy campaign manager David Bossie came from Citizens United. The Director of Coalitions for Trump is named Alan Cobb -- he came from Americans for Prosperity. Daren Selnick is a transition advisor and he came from Concerned Veterans. Others on the Trump team who came from Kochland include Stuart Jolly, Eli Miller, Scott Hagerstrom and Matt Ciepielowski.

3. BUY the hell out of Russia -- Exxon Rex is a cabinet trifecta for Koch Brothers.

A. And there's Exxon Rex. Any contribution from Exxon received money from Koch -- and vice versa. Rex Tillerson is worth $151 million and is leaving Exxon next year. He seems to have accepted secretary of state position. He inked a deal worth $300 billion in oil and gas exploration in 2012. (For that, he received the highest civilian honour bestowed by Russia). This will be a boom for Koch Industries as the sanctions against Russia are lifted. (Thank you Uncle Vlad for interfering in the elections). This will be a boom for Russia -- for equities, FX and bonds. It is clear that sanctions against Russia will be lifted regardless of whether Russia interfered in the elections. (Clinton made this a campaign issue and still lost!).

B. Anyone who thinks this will be reversed by Greenpeace or other green organization is kidding themselves. The Senate and House is Republican. Majority parties control all committees so they control the agenda. The agenda is set. These guys are geniuses with the news cycle. And the vast array of think tanks controlled by the Koch Brothers (most of them) allows them to control the news cycle as well as the opinion pages of newspapers. The web on control on public opinion from the Koch Brothers reaches every newspaper through a large array of think tanks like the AEI and Cato Institute, not to mention the vast array of Koch think tanks.

C. If you don't like this, tough luck. Life is not fair. This is not going to be reversed. Think of it as watching a science experiment. Bush lost the popular vote to Gore in 2001 and completely reversed policies on tax, environment, Middle East, energy, fracking, birth control, and LGBT issues. Trump, Pence, Bannon and Koch will make a deal which will be a hybrid of religious right on moral issues and "zero intrusion from government" in commerce. Republicans already control the Senate, the House, a majority of governorships as well as a majority of attorneys general. It will be very hard to reverse this. And if Trump can deliver jobs to the midwest red states, more senate seats will turn red. Tom Pyle's list of things to for the Department of Energy's transition team is expressly designed to do this. This includes new oil and gas leasing projects, more fracking, more coal, more LNG projects -- and a green light for both the Keystone and Dakota pipelines. The working paper reneges on the Paris pact, the Clean Power Plan and the carbon tax. And it is expressly a climate change denial policy. States like North Dakota, South Dakota, Oklahoma, Iowa, Texas, Louisiana, West Virginia, Kansas and others will come to life again.. Most of these states have small populations but each gets a governor and two senators.

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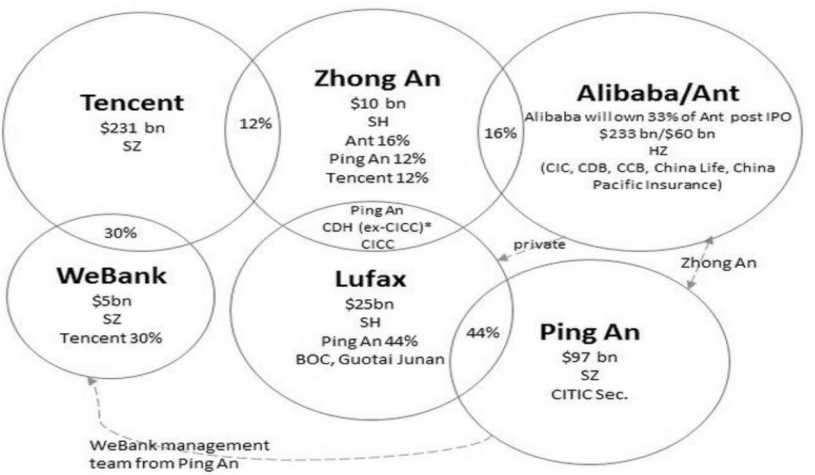
Schulte-Research

China Fintech Map



*CDH: set up by Wu Shangzhi, who brought a team from CICC

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To: jeffrey E. [jeevacation@gmail.com]
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Attachments: mime-attachment.png; mime-attachment.gif; mime-attachment.jpg

Importance: High

Good. Sorting out Tulum at the moment. Over 40 people wanted to come. The Cenote project didn't get funded yet so we are sorting out accommodations. David Sauvage who you met is coming (https://docs.google.com/document/d/1zebY0wGi_vn1WpUnkTR1T7yPsl-iQIfA9GidDUg0zcU/edit). Joon Yun as well (who I'd like to introduce you to - http://www.drjoonyun.com/). The gathering will help plan activities in 2017 which I will summarise for you in Jan.

On Monday, I head to Pragelato with the wife and kids for 10 days of skiing and sight-seeing. Head to Tulum on the 1st. I will be at DLD and Davos afterward. I still have a Vive that I got for you that I'd like to set up and walk you and your people through.

Is your schedule for the holidays sorted?

Happy Holidays!!

gino

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no ,. how are you?

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Senior Analyst
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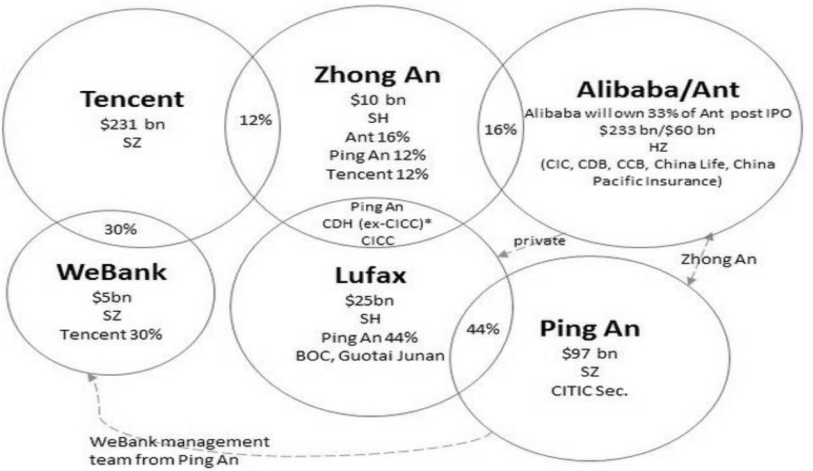
Schulte-Research

China Fintech Map



*CDH: set up by Wu Shangzhi, who brought a team from CICC

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From: Weingarten, Reid [redacted]
Sent: 12/20/2016 5:06:06 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: RE: Re:

Importance: High

Yikes...my boy jeffrey is everywhere....

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Tuesday, December 20, 2016 12:05 PM
To: Weingarten, Reid
Subject: Re: Re:

So What Does Pizzagate Have To Do With President Bill Clinton?

President Clinton's involvement in Pizzagate has been peripheral until now, but the scandal is opening closets that both Bill and Hillary Clinton would have wished stayed closed. However, last month, the *Guardian* reported that during the second presidential debate, Donald Trump brought along four women who have accused Bill Clinton of sex crimes, including rape.

The U.K. broadsheet surmised that this was an attempt by Trump to deflect from allegations of misogyny and sexual misconduct by Trump himself. As time has passed, the specter of billionaire pedophile Jeffrey Epstein has re-emerged. It is perhaps Clinton's relationship with Epstein that has the greatest bearing on Pizzagate.

On Tue, Dec 20, 2016 at 11:26 AM, Weingarten, Reid <[redacted]> wrote:

Yes...[redacted]

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Tuesday, December 20, 2016 9:23 AM
To: Weingarten, Reid
Subject: Re:

now?

On Mon, Dec 19, 2016 at 4:23 PM, Weingarten, Reid <[redacted]> wrote:

Have an idea...[redacted]

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, December 19, 2016 3:01 PM
To: Weingarten, Reid
Subject:

is there something you want to tell me?

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From: Lawrence Krauss [redacted]
Sent: 12/24/2016 7:37:57 PM
To: jeffrey E. [jeevacation@gmail.com]
CC: Lawrence Krauss [redacted]
Subject: Re: for your reading pleasure.. though maybe not
Attachments: DA866543-7401-4A5A-8E50-FD32E33A50EC.png

Importance: High

I was in antarctica. The west antarctic ice sheet is melting at an unprecedented rate.. if it all goes into the ocean, sea levels will rise by about a meter. You are correct that we should ask if it can be reduced.. We are currently involved in a proposal that explores capturing CO2 from the atmosphere.. That may cost about 100/ton CO2.. if there was a carbon tax, that might be doable. it is not clear yet, but total research on this so far <10 Million. Total research each year on oil and gas exploration >2 billion.

Lawrence M. Krauss
Director, The Origins Project at ASU
Co-Director, Cosmology Initiative
Foundation Professor
School of Earth & Space Exploration and Physics Department
Arizona State University, P.O. Box 871404, Tempe, AZ 85287-1404
Research Office: [redacted] Assistant [redacted]
Origins Office [redacted]
[redacted]
origins.asu.edu | twitter.com/lkrauss1 | krauss.faculty.asu.edu

On Dec 24, 2016, at 11:32 AM, jeffrey E. <jeevacation@gmail.com> wrote:

is the south pole getting colder and more ice ? is it accurate to say that climate changes can only be measured over long periods. 20 years or more. I m here with the trump peopl in palm and when asked i say i dont have any idea if this global warming is a threat that can be reduced , currently , carbon taking machines. i guess if that is really a concern. i would also like to know what groups prefer warming. canada?

On Sat, Dec 24, 2016 at 2:27 PM, Lawrence Krauss <[redacted]> wrote:

yes, freeman dyson says that too.. That may be true at some level, and indeed during a period of the earth's history when there was more CO2 (hundreds of millions of years ago), there were very large plants of certain types… but what does this imply, really? more corn in the arctic? do we need more corn in the arctic? He has cherry picked data, the typical act of those who believe the answer before they ask the question.

Lawrence M. Krauss
Director, The Origins Project at ASU
Co-Director, Cosmology Initiative
Foundation Professor
School of Earth & Space Exploration and Physics Department
Arizona State University, P.O. Box 871404, Tempe, AZ 85287-1404
Research Office: [redacted] Assistant [redacted]
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[redacted]
origins.asu.edu | twitter.com/lkrauss1 | krauss.faculty.asu.edu

<DA866543-7401-4A5A-8E50-FD32E33A50EC.png>

On Dec 24, 2016, at 10:43 AM, jeffrey E. <jeevacation@gmail.com> wrote:

i liked the argument that more co2 is good for plants?

On Sat, Dec 24, 2016 at 1:35 PM, Lawrence Krauss <l[redacted]> wrote:

My goodness. So you are listening to an old Nobel laureate whose expertise has nothing to do with this, who has never studied this in detail, built models, done experiments....

Lawrence M. Krauss
Director, The Origins Project at ASU
Foundation Professor
School of Earth & Space Exploration and Physics Department
Arizona State University, P.O. Box 871404, Tempe, AZ 85287-1404
Research Office:[redacted] Assistant [redacted]
Origins Office [redacted]
origins.asu.edu | twitter.com/lkrauss1 | krauss.faculty.asu.edu

<DA866543-7401-4A5A-8E50-FD32E33A50EC.png>

Sent from my iPhone

On Dec 24, 2016, at 3:50 AM, jeffrey E. <jeevacation@gmail.com> wrote:

https://www.youtube.com/watch?v=TCy_UOjEir0

On Fri, Dec 23, 2016 at 12:30 PM, Lawrence Krauss <l[redacted]> wrote:

Hi.. I know he is going to AZ for much of the winter. He is going to come up to phoenix..maybe for our AI meeting.. wanna come with him? (ANd confidentially we are in discussions for maybe having him move to ASU… please that is really confidential). I will be back in PHX on the 16th of Jan..

Things proceeding apace at home.. medication and tlc..

LMK

On Dec 22, 2016, at 3:36 PM, jeffrey E. <jeevacation@gmail.com> wrote:

noam is going to tucson on the 7th . will you be around

On Thu, Dec 15, 2016 at 7:05 PM, Lawrence Krauss <[redacted]> wrote:

http://www.newyorker.com/tech/elements/donald-trumps-war-on-science?intcid=mod-latest

http://www.nytimes.com/2016/12/13/opinion/rick-perry-is-the-wrong-choice-for-energy-secretary.html?action=click&pgtype=Homepage&clickSource=story-heading&module=opinion-c-col-left-region&region=opinion-c-col-left-region&WT.nav=opinion-c-col-left-region&_r=0

Lawrence M. Krauss
Foundation Professor
Director, The ASU Origins Project
Co-Director, Cosmology Initiative
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PO Box 871404 | Tempe AZ 85287-1404
480-965-6378 | [redacted]
http://krauss.faculty.asu.edu
Exec. Asst [redacted]
Origins Asst [redacted]

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From: Boris Nikolic [redacted]
Sent: 12/26/2016 1:19:46 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: RE:

Importance: High

Have fun!!
Hope to see you on the 4th.
I leave for SF on the 5th

Sent from my Windows Phone

From: jeffrey E.
Sent: 12/25/2016 8:15 PM
To: Boris Nikolic
Subject: Re:

4th im in palm with all the trump boys. . fun

On Sun, Dec 25, 2016 at 8:13 PM, Boris Nikolic <[redacted]> wrote:

When are you back in NYC?

Sent from my Windows Phone

From: jeffrey E.
Sent: 12/25/2016 8:09 PM
To: Boris Nikolic
Subject: Re:

sorry to haer

On Sun, Dec 25, 2016 at 8:05 PM, Boris Nikolic <[redacted]> wrote:

I wish...
Got super bed cold two days ago and barely left my bed. Feel like shit.

Merry Christmas to you!

B

Sent from my Windows Phone

From: jeffrey E.
Sent: 12/25/2016 7:14 PM
To: Boris Nikolic
Subject:

hope you are having as much fun as me

--
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From: Valeria Chomsky [redacted]
Sent: 1/23/2017 1:44:28 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Fwd:

Importance: High

Oh, no.

We will have to compensate for it. Noam has been racing for finishing some work before we leave, and I have been packing. But we'll find opportunities while in Arizona. Do you have plans to be there soon?

Valeria

---------- Forwarded message ----------
From: **jeffrey E.** <jeevacation@gmail.com>
Date: Sun, Jan 22, 2017 at 6:21 PM
Subject: Re:
To: Valeria Chomsky <[redacted]>

Shame . I was there all day yesterday . Everything ok I hope

On Sun, Jan 22, 2017 at 6:16 PM Valeria Chomsky <[redacted]> wrote:

Dear Jeffrey,

I arrived from Brazil on January 19th, knowing that I had to remember something very important on January 20th and it was not Trump's inauguration. As I arrived too tired, I kept thinking, but could not remember. Just now seeing your e-mail I remembered what it was!!! Your birthday!!! Please accept our best wishes for your new year!

Hope you had a good celebration!

We had to postpone our trip to Arizona and are still in Cambridge, leaving on Wednesday. Noam and I hope to see you again soon and have a toast for your birthday.

Valeria

---------- Forwarded message ----------
From: **jeffrey E.** <jeevacation@gmail.com>
Date: Sun, Jan 22, 2017 at 6:52 AM
Subject:
To: Valeria Chomsky [redacted]>

are you guys enjoying the warm

--

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From: Robert Kuhn [redacted]
Sent: 2/3/2017 3:58:55 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Kuhn

Importance: High

On point! First serious, independent confirmation of Giulio Tononi's theory. This constitutes the primary part of our Episode 6 (working outline). Giulio is a Closer To Truth contributor (primarily his theory of consciousness) and a friend; he has invited me/CTT to spend 1-2 days in his lab (Madison).

On Feb 3, 2017, at 6:23 AM, jeffrey E. <jeevacation@gmail.com> wrote:

https://www.nytimes.com/2017/02/02/science/sleep-memory-brain-forgetting.html?ribbon-ad-idx=5&rref=homepage&module=Ribbon&version=origin&region=Header&action=click&contentCollection=Home%20Page&pgtype=article

On Fri, Feb 3, 2017 at 1:02 AM, Robert Kuhn [redacted] > wrote:

When to meet? Weekend OK.

On Jan 22, 2017, at 4:32 PM, jeffrey E. <jeevacation@gmail.com> wrote:

look forward to it

On Sun, Jan 22, 2017 at 2:33 PM, Robert Kuhn [redacted] > wrote:

Just got to New York - love to meet, brainstorm.

From Washington, my inauguration-day commentary and conversation with Chinese experts on Sino-US relations under Trump - https://youtu.be/OGdu1pmeVNM?list=PLt-M8o1W_GdSZbSuplmsSS5JZzlhIWpGb

Earlier interview on BBC "What Chinese think of Trump" - two minute excerpt
- http://www.bbc.co.uk/programmes/p04m9jj4

Looking forward, Robert

On Jan 11, 2017, at 2:51 AM, Robert L. Kuhn <[redacted]> wrote:

Dear Jeffrey:

Attached, as promised, is our proposal for Closer To Truth to produce the definitive television series on "The Science of Sleep and Dreams" - 13 episodes, a full season, on ~200 PBS stations, plus extensive web videos. Contemporary advances in sleep/dream research makes timing propitious.

Three documents:

1) Proposal (12 pages)

2) Budget (line item)

3) Schedule (weekly)

Please confirm receipt.

I'll be in New York from January 19 until about February 8. Love to meet - on Sleep/Dreams and all sorts of fun stuff to cheer our 2017.

Robert

<Closer To Truth - The Science of Sleep & Dreams – CTT TV Episodes & Web Videos - Jeffrey Epstein VI Foundation - 1.10.17.docx><Closer To Truth - The Science of Sleep & Dreams - Series Budget - 1.10.17.xls><Closer To Truth - Sleep and Dreams - Series Schedule-Timeline - 1.9.17.xlsx>

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From: EL HACHEM Johnny [redacted]
Sent: 2/8/2017 12:01:12 PM
To: jeffrey E. [jeevacation@gmail.com]
CC: AdeR [redacted]
Subject: Re: Edmond de Rothschild Infrastructure Expertise

Importance: High

I agree with your analysis.
On the debt side the yield will be low for sure. Nevertheless by leading the consortium and by being the Equity provider of the PPP than the double digit return will be possible
Happy to discuss further

Sent from my iPhone

On 8 févr. 2017, at 12:59, jeffrey E. <jeevacation@gmail.com> wrote:

thanks, the issue will be returns on investment. . there is a HUGE amount of cash sitting on the sidelines. trump will want to do private public partnerships on most things. . donald loves the rothschild name.

On Wed, Feb 8, 2017 at 7:23 AM, EL HACHEM Johnny <[redacted]> wrote:

Dear Jeff,

As previously discussed between you and Ariane, Edmond de Rothschild is deeply involved in the building and financing of the infrastructure in Europe. Edmond de Rothschild has an outstanding track record, history and presence in European infrastructure, as well as being one of Europe's most recognized financial advisors to the infrastructure market. We have developed deep expertise in the infrastructure sector and sought secure, well-managed assets, generating stable, long-term returns for investors.

We have done so by initiating and backing two experienced and highly-respected managers in the industry, TIIC and BRIDGE. TIIC is an equity investor in transport and social infrastructure. BRIDGE is an infrastructure debt provider. Both managers are covered in more detail below. Edmond de Rothschild has been heavily involved in the launch of the below funds, providing crucial support in fund structuring, due diligence, capital raising, legal & compliance functions as well as the sound governance and ESG management across all funds. Partnering with TIIC and BRIDGE has enabled Edmond de Rothschild to build a strong franchise within infrastructure investments, complementing its overall Private Equity offering. Edmond de Rothschild has also acted as anchor investor for these funds, demonstrating its strong alignment of interest with these investment teams. With Ariane we strongly believe that we should absolutely find a way to collaborate together with you to think and initiate something to serve the future needs of the US in the infrastructure field.

Please find attached further information on each manager. This would also be a chance for us to explore opportunities of working together in the future.

Please feel free to reach out to us if you require any further information. We look forward to hearing from you soon.

TIIC

TIIC Group backed by Edmond de Rothschild, is a pan-European infrastructure firm advising on mid-market infrastructure projects across Europe in both the transportation and social sectors. It was established in 2008 by the 3 founding partners of TIIC Group, Jaime d'Almeida, Manuel Cary and Francisco Mendes, with strategic support from the Edmond de Rothschild Group and Brisa.

The aim of TIIC Group is to bring an operational approach to infrastructure investments in Europe, drawing upon the extensive management and financial skills of its team members. These skills have been developed over many years at some of Europe's leading infrastructure operators and project financing firms which, when combined with the very specific infrastructure expertise of both the Edmond de Rothschild Group and Brisa, makes for a powerful and differentiated investment platform.

TIIC Group operates from two offices in Lisbon and Paris, providing its team with access to relevant investment opportunities across key target markets in Europe as well as to leading industrial contractors, operators, advisors and financiers in the infrastructure industry.

TIIC Group successfully raised a First Fund with €140m of commitments targeting transportation investments across Europe. The portfolio of the First Fund comprises 6 assets located in Portugal, Spain, France and Poland. They represent a carefully balanced mix of greenfield and early stage brownfield projects in roads and car parks. TIIC Group has played an active role in the sourcing and development of all investments and has made a significant contribution to value creation. TIIC Group believes that this is a high quality, operationally secure, cash yielding portfolio of assets which will be of strong interest to potential investors over the coming few years.

TIIC has launched a successor fund, TIIC 2, which will build upon TIIC Group' differentiated approach to infrastructure in Europe. TIIC 2 will is targeting aggregate commitments from investors of €300m (€350m hard cap) to invest into both transportation and social infrastructure projects in Europe. TIIC 2 will also seek to invest, on a very selective basis, into greenfield social infrastructure projects in New Frontier Markets, within close proximity to the European Union. Given its powerful network of relationships across Europe and the operational skills of its team, TIIC Group will continue to target superior investment returns for TIIC 2's portfolio of assets. These returns should be in line with the anticipated returns from the First Fund portfolio which is forecast to deliver a gross IRR of up to 14% and a multiple of approximately 2x on invested capital.

TIIC announced the first close of TIIC 2 on December 30th 2016, with aggregate commitments of €135m from a group of high quality and well-diversified limited partners. First close investors in TIIC 2 include the European Investment Bank and Edmond de Rothschild, both with significant commitments, as well as the

TIIC team. TIIC 2 is also supported by a number of existing investors, together with several European insurance companies, pension funds and family offices. A second close is planned in the coming months and the final close will occur before the end of 2017. We have received significant interest from a number of European institutional investors, many of which are in the process of completing detailed due diligence on TIIC 2. We are firmly on track to achieve a final close of TIIC 2 before the end of the year.

Furthermore, TIIC has announced the first exit from Fund 1, with outstanding returns. Three other investments are in sales processes and should close during the next few months.

BRIDGE

BRIDGE is an infrastructure debt platform initiated by Edmond de Rothschild Asset Management (EdRAM) to enable institutional investors to access infrastructure assets with secured and stable revenue streams. BRIDGE is a London based second generation debt fund sourcing and structuring transactions directly from sponsors when feasible and one of the few independent debt teams only investing on behalf of clients. The BRIDGE team has the ability to execute and deliver transactions as efficiently as traditional lenders as well as negotiate terms and conditions bringing optimised yield and security to investors.

The BRIDGE platform was set up as a new leg of EDR's Infrastructure, Real Assets & Structured Finance Team striving to take advantage of the expertise of the infrastructure sector acquired when the team became a global leader in PPP & Transport infrastructure financial advisory in 2011 and 2012.

The BRIDGE platform raised € 400m of new monies in 2016 and has successfully reached the €1bn mark of Assets under Management at the end of 2016. The platform comprises three investment vehicles (French FCT and Lux SIF) and is currently fundraising for additional pockets of liquidity:

- **BRIDGE I** reached final closing in December 2014 with approximately €600m of aggregate commitments from a club of institutional investors.
- **BRIDGE I Dedicated Compartment**is a vehicle created by a large European institution and anchor investor of the first fund with a €250m target amount available for deployment.
- **BRIDGE II** reached first close in December 2016 with €150m of commitments in order to invest in three transactions. Fundraising for BRIDGE II is still ongoing, targeting a group of institutional investors in Europe and elsewhere, with final target size of €600m.

The BRIDGE platform has a long-term European investment strategy and a mandate to cover all sectors of infrastructure, notably energy, renewables, utilities, transportation, telecommunications and social infrastructure and can execute project financing, refinancing and acquisition finance transactions.

The BRIDGE platform currently comprises investments of between €20-120 million each, in 17 European infrastructure transactions. In 2016 alone, the BRIDGE team has achieved financial close for 11 infrastructure deals in Europe aggregating ca. €390m. When benchmarked against other similar funds, the investment team has succeeded in deploying faster and with credit spreads well above the infrastructure senior debt benchmark, enabling BRIDGE to become a force in the growing institutions-backed infrastructure debt market. BRIDGE's ability to invest beyond the traditional definition of core infrastructure and to structure transactions was a key differentiator when Edmond de Rothschild launched this platform, as part of its commitment to real economy. BRIDGE is innovative in the sense that the investment team sources transactions directly from sponsors and is actively involved in the structuring phase, acting as Mandated Lead Arranger.

BRIDGE comprises a large, international and skilled London based investment team of 11 investment professionals who between them have arranged more than €100bn of landmark infrastructure deals over the last 20 years across the globe. The BRIDGE team is among the largest within the debt funds universe and demonstrates the Edmond de Rothschild Group's commitment to the platform.

Kind regards,

Johnny

Johnny el HACHEM

Edmond de Rothschild Private Equity

29 Route de Pré-Bois
Case postale 490
1215 Genève 15
Suisse

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From: [redacted]
Sent: 2/8/2017 10:20:59 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Edmond de Rothschild Infrastructure Expertise

Importance: High

If it s a debt fund , they were thinking of building it around senior and mezzanine debt which would yield 8 to 10% per yr with a kicker

Ariane de Rothschild

On 8 Feb 2017, at 12:59, jeffrey E. <jeevacation@gmail.com> wrote:

thanks, the issue will be returns on investment. . there is a HUGE amount of cash sitting on the sidelines. trump will want to do private public partnerships on most things. . donald loves the rothschild name.

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Please feel free to reach out to us if you require any further information. We look forward to hearing from you soon.

TIIC

TIIC Group backed by Edmond de Rothschild, is a pan-European infrastructure firm advising on mid-market infrastructure projects across Europe in both the transportation and social sectors. It was established in 2008 by the 3 founding partners of TIIC Group, Jaime d'Almeida, Manuel Cary and Francisco Mendes, with strategic support from the Edmond de Rothschild Group and Brisa.

The aim of TIIC Group is to bring an operational approach to infrastructure investments in Europe, drawing upon the extensive management and financial skills of its team members. These skills have been developed over many years at some of Europe's leading infrastructure operators and project financing firms which, when combined with the very specific infrastructure expertise of both the Edmond de Rothschild Group and Brisa, makes for a powerful and differentiated investment platform.

TIIC Group operates from two offices in Lisbon and Paris, providing its team with access to relevant investment opportunities across key target markets in Europe as well as to leading industrial contractors, operators, advisors and financiers in the infrastructure industry.

TIIC Group successfully raised a First Fund with €140m of commitments targeting transportation investments across Europe. The portfolio of the First Fund comprises 6 assets located in Portugal, Spain, France and Poland. They represent a carefully balanced mix of greenfield and early stage brownfield projects in roads and car parks. TIIC Group has played an active role in the sourcing and development of all investments and has made a significant contribution to value creation. TIIC Group believes that this is a high quality, operationally secure, cash yielding portfolio of assets which will be of strong interest to potential investors over the coming few years.

TIIC has launched a successor fund, TIIC 2, which will build upon TIIC Group' differentiated approach to infrastructure in Europe. TIIC 2 will is targeting aggregate commitments from investors of €300m (€350m hard cap) to invest into both transportation and social infrastructure projects in Europe. TIIC 2 will also seek to invest, on a very selective basis, into greenfield social infrastructure projects in New Frontier Markets, within close proximity to the European Union. Given its powerful network of relationships across Europe and the operational skills of its team, TIIC Group will continue to target superior investment returns for TIIC 2's portfolio of assets. These returns should be in line with the anticipated returns from the First Fund portfolio which is forecast to deliver a gross IRR of up to 14% and a multiple of approximately 2x on invested capital.

TIIC announced the first close of TIIC 2 on December 30th 2016, with aggregate commitments of €135m from a group of high quality and well-diversified limited partners. First close investors in TIIC 2 include the European Investment Bank and Edmond de Rothschild, both with significant commitments, as well as the TIIC team. TIIC 2 is also supported by a number of existing investors, together with several European insurance companies, pension funds and family offices. A second close is planned in the coming months and the final close will occur before the end of 2017. We have received significant interest from a number of

European institutional investors, many of which are in the process of completing detailed due diligence on TIIC 2. We are firmly on track to achieve a final close of TIIC 2 before the end of the year.

Furthermore, TIIC has announced the first exit from Fund 1, with outstanding returns. Three other investments are in sales processes and should close during the next few months.

BRIDGE

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The BRIDGE platform was set up as a new leg of EDR's Infrastructure, Real Assets & Structured Finance Team striving to take advantage of the expertise of the infrastructure sector acquired when the team became a global leader in PPP & Transport infrastructure financial advisory in 2011 and 2012.

The BRIDGE platform raised € 400m of new monies in 2016 and has successfully reached the €1bn mark of Assets under Management at the end of 2016. The platform comprises three investment vehicles (French FCT and Lux SIF) and is currently fundraising for additional pockets of liquidity:

- **BRIDGE I** reached final closing in December 2014 with approximately €600m of aggregate commitments from a club of institutional investors.
- **BRIDGE I Dedicated Compartment**is a vehicle created by a large European institution and anchor investor of the first fund with a €250m target amount available for deployment.
- **BRIDGE II** reached first close in December 2016 with €150m of commitments in order to invest in three transactions. Fundraising for BRIDGE II is still ongoing, targeting a group of institutional investors in Europe and elsewhere, with final target size of €600m.

The BRIDGE platform has a long-term European investment strategy and a mandate to cover all sectors of infrastructure, notably energy, renewables, utilities, transportation, telecommunications and social infrastructure and can execute project financing, refinancing and acquisition finance transactions.

The BRIDGE platform currently comprises investments of between €20-120 million each, in 17 European infrastructure transactions. In 2016 alone, the BRIDGE team has achieved financial close for 11 infrastructure

deals in Europe aggregating ca. €390m. When benchmarked against other similar funds, the investment team has succeeded in deploying faster and with credit spreads well above the infrastructure senior debt benchmark, enabling BRIDGE to become a force in the growing institutions-backed infrastructure debt market. BRIDGE's ability to invest beyond the traditional definition of core infrastructure and to structure transactions was a key differentiator when Edmond de Rothschild launched this platform, as part of its commitment to real economy. BRIDGE is innovative in the sense that the investment team sources transactions directly from sponsors and is actively involved in the structuring phase, acting as Mandated Lead Arranger.

BRIDGE comprises a large, international and skilled London based investment team of 11 investment professionals who between them have arranged more than €100bn of landmark infrastructure deals over the last 20 years across the globe. The BRIDGE team is among the largest within the debt funds universe and demonstrates the Edmond de Rothschild Group's commitment to the platform.

Kind regards,
Johnny

Johnny el HACHEM

Edmond de Rothschild Private Equity

29 Route de Pré-Bois
Case postale 490
1215 Genève 15
Suisse

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From: [redacted]
Sent: 2/8/2017 10:23:46 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Edmond de Rothschild Infrastructure Expertise

Importance: High

Pension funds are now interested to match the maturities ?

Ariane de Rothschild

On 8 Feb 2017, at 23:22, jeffrey E. <jeevacation@gmail.com> wrote:

not likely in the states. too much money around. you should find a niche. otherwise competing with people that have a trillion dollars in credit needs

On Wed, Feb 8, 2017 at 6:20 PM, [redacted] wrote:
If it s a debt fund , they were thinking of building it around senior and mezzanine debt which would yield 8 to 10% per yr with a kicker

Ariane de Rothschild

On 8 Feb 2017, at 12:59, jeffrey E. <jeevacation@gmail.com> wrote:

thanks, the issue will be returns on investment. . there is a HUGE amount of cash sitting on the sidelines. trump will want to do private public partnerships on most things. . donald loves the rothschild name.

On Wed, Feb 8, 2017 at 7:23 AM, EL HACHEM Johnny <[redacted]> wrote:

Dear Jeff,

As previously discussed between you and Ariane, Edmond de Rothschild is deeply involved in the building and financing of the infrastructure in Europe. Edmond de Rothschild has an outstanding track record, history and presence in European infrastructure, as well as being one of Europe's most recognized financial advisors to the infrastructure market. We have developed deep expertise in the infrastructure sector and sought secure, well-managed assets, generating stable, long-term returns for investors.

We have done so by initiating and backing two experienced and highly-respected managers in the industry, TIIC and BRIDGE. TIIC is an equity investor in transport and social infrastructure. BRIDGE is an infrastructure debt provider. Both managers are covered in more detail below. Edmond de Rothschild has been heavily involved in the launch of the below funds, providing crucial support in fund structuring, due diligence, capital raising, legal & compliance functions as well as the sound governance and ESG management across all funds. Partnering with TIIC and BRIDGE has enabled Edmond de Rothschild to build a strong franchise within infrastructure investments, complementing its overall Private Equity offering. Edmond de Rothschild has also acted as anchor investor for these funds, demonstrating its strong alignment of interest with these investment teams. With Ariane we strongly believe that we should absolutely find a way to collaborate

together with you to think and initiate something to serve the future needs of the US in the infrastructure field.

Please find attached further information on each manager. This would also be a chance for us to explore opportunities of working together in the future.

Please feel free to reach out to us if you require any further information. We look forward to hearing from you soon.

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Kind regards,
Johnny

Johnny el HACHEM

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29 Route de Pré-Bois
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Date: Friday, April 21 2017 05:10 PM
Subject: Re:
From: Thomas Jr., Landon <[redacted]>
To: jeffrey E. <jeevacation@gmail.com>;

Will give that a try. Bill Gates would carry more of a punch:) Saw Mnuchin/Cohn in DC -- they are talking a big game but I don 't know if they can deliver on tax reform. What do you think? I don't know why Trump does not reach out to Schumer -- two outer borough guys who know each other and can talk to each other. He has to move away from the right wing nutters back to the middle which is his natural space anyway.

On Fri, Apr 21, 2017 at 12:59 PM, jeffrey E. <jeevacation@gmail.com> wrote:

nathan myrhvold. suggested you use him as a refrence for masa. on another note. lots of investigations going slow as no one to lead , but when the justice dept staff gets filled. OY.

--

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Landon Thomas, Jr.
Financial Reporter
New York Times
[redacted]
http://topics.nytimes.com/top/reference/timestopics/people/t/landon_jr_thomas/index.html

From: ehbarak [redacted]
Sent: 4/30/2017 4:38:23 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: NYT

Importance: High

Hi Jeff
About time for our actions to turn into theatre and movie pieces.
Shall we talk? Any news from BC/AdR?
Best
EB

Sent from my iPhone

On 14 Apr 2017, at 19:24, ehbarak <[redacted]> wrote:

Hi Jeff
I'm in Serengeti, Tanzania
No real communication. Cannot open the NYT article. But to judge from the article's title they are at least exaggerating if not totally wrong. This attack will not change strategy in a major way on either side. It will however raise respect for DJT in Moscow and few other capitals. That's not necessarily bad, if the WH won't read this change as a precedent which calls to be repeated too often.
Best
EB

Sent from my iPhone

On 14 Apr 2017, at 16:06, jeffrey E. <jeevacation@gmail.com> wrote:

https://www.nytimes.com/2017/04/13/theater/oslo-broadway-review.html?module=WatchingPortal&region=c-column-middle-span-region&pgType=Homepage&action=click&mediaId=thumb_square&state=standard&contentPlacement=6&version=internal&contentCollection=www.nytimes.com&contentId=https%3A%2F%2Fwww.nytimes.com%2F2017%2F04%2F13%2Ftheater%2Foslo-broadway-review.html&eventName=Watching-article-click

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From: ehbarak [redacted]
Sent: 4/30/2017 8:23:59 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: NYT

Importance: High

High stress.

Sent from my iPhone

On 30 Apr 2017, at 19:43, jeffrey E. <jeevacation@gmail.com> wrote:

both have the flu

On Sun, Apr 30, 2017 at 12:38 PM, ehbarak <[redacted]> wrote:

Hi Jeff
About time for our actions to turn into theatre and movie pieces.
Shall we talk? Any news from BC/AdR?
Best
EB

Sent from my iPhone

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From: [redacted]]
Sent: 5/14/2017 8:23:56 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

how about the war in yemen?

Sent from my iPhone

On May 14, 2017, at 10:25 PM, jeffrey E. <jeevacation@gmail.com> wrote:

it depends on which subject. . economic. military, tech?

On Sun, May 14, 2017 at 9:17 PM, [redacted]> wrote:

any tips on how we should communicate with him?

Sent from my iPhone

On May 14, 2017, at 9:35 PM, jeffrey E. <jeevacation@gmail.com> wrote:

much to do around the trump trip. I hope you are enjoying.

--

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From: [redacted]
Sent: 5/14/2017 8:27:10 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

very well many thnx and here is a refrence:

KUNA : Yemeni FM: We are ready to go back to peace talks - Politics - 05/05/2017

BRUSSELS, May 5 (KUNA) -- Yemeni Foreign Minister Abdulmalik Al-Makhlafi said Friday that the Yemeni government is adhering to the peace process and is ready to go back to the table to bring peace to Yemen as soon as possible and to save the people from more suffering.
"But the positive position of the government does not get any response by the revolutionaries who are still refusing the demands for peace or to accept any international peace efforts," he told the Kuwait news agency, KUNA, in an exclusive interview at the end of his visit to Brussels.
Al-Mekhlafi said they went "to our brotherly country Kuwait" which hosted the meeting for four months last year. "After the consultations the UN envoy presented the draft agreement and we signed it but the other side did not sign it," he noted.
"But after we left Kuwait and till now the revolutionaries did not undertake any steps proposed by the UN envoy, Ismail Ould Cheikh Ahmed. We regret that peace is on hold due the desire of the revolutionaries to continue the war," he said.
Al Makhlafi said that the government would continue to call for peace and hopes that the international pressures and defeats that the revolutionaries have suffered until now will make them respond to the peace efforts.
"We were hoping to return again to Kuwait for the talks and our Kuwaiti brothers welcomed the return of the two delegation in Kuwait in order to sign the agreement," he noted.
The Yemeni foreign minister expressed his deep appreciation and thanks to HH the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, to the Kuwait government and to HE the first deputy prime minister and foreign minister Sheikh Sabah Khaled al-Sabah who exerted great efforts during the Kuwait meetings.
"We look forward to return to Kuwait, and our brothers in Kuwait are rightly saying that we will welcome you if you sign the agreement and not to waste time. But it appears that the revolutionaries are not ready to respond to this step," he said.
Al Meahlafi said he visited Brussels for two-days of talks with the Belgian Foreign Minister Didier Reynders, European Commission officials and Members of the European Parliament to explain the situation in Yemen and seek support for the Yemeni government's peace efforts.
He said the Yemeni government seeks peace based on the three references, the Gulf initiative, the outputs of the national dialogue, and the Security Council resolutions on Yemen, including resolution 2216.
The Yemeni foreign minister called on the EU to condemn the revolution and the Iranian interference in Yemen, which is sending arms to the Houthi militias.
He also expressed his thanks to the EU for their humanitarian aid and for pledging the amount of 116 million euro (USD 127 mn) during the UN-sponsored donors conference on Yemen held recently in Geneva. (end)
nk.mb

Sent from my iPhone

On May 14, 2017, at 11:25 PM, jeffrey E. <jeevacation@gmail.com> wrote:

i will ask , get back to you tomorw

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From: [redacted]
Sent: 5/14/2017 9:38:47 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

a good word about the Amir's effort to host the yemen peace talk will be great, i think .. and if peace agreement was signed in kuwait that would be 👍👍👍👍👍👍👍

Sent from my iPhone

On May 15, 2017, at 12:20 AM, jeffrey E. <jeevacation@gmail.com> wrote:

what would your emir like to see happen from the US ? concrete please. yemen will be part of a saudi meeting. they said they will have someone pass by my house tom afternoon. email you after. how much fun

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He also expressed his thanks to the EU for their humanitarian aid and for pledging the amount of 116 million euro (USD 127 mn) during the UN-sponsored donors conference on Yemen held recently in Geneva. (end)
nk.mb

Sent from my iPhone

On May 14, 2017, at 11:25 PM, jeffrey E. <jeevacation@gmail.com> wrote:

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On Sun, May 14, 2017 at 10:23 PM, <[redacted]> wrote:
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any tips on how we should communicate with him?

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From: [redacted]
Sent: 5/15/2017 6:45:06 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

no i will be in dubai

Sent from my iPhone

On May 15, 2017, at 3:36 AM, jeffrey E. <jeevacation@gmail.com> wrote:

Are you going to Saudi
On Sun, May 14, 2017 at 11:38 PM [redacted] wrote:
a good word about the Amir's effort to host the yemen peace talk will be great, i think .. and if peace agreement was signed in kuwait that would be 👍👍👍👍👍👍👍

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"But the positive position of the government does not get any response by the revolutionaries who are still refusing the demands for peace or to accept any international peace efforts," he told the Kuwait news agency, KUNA, in an exclusive interview at the end of his visit to Brussels.
Al-Mekhlafi said they went "to our brotherly country Kuwait" which hosted the meeting for four months last year. "After the consultations the UN envoy presented the draft agreement and we signed it but the other side did not sign it," he noted.
"But after we left Kuwait and till now the revolutionaries did not undertake any steps proposed by the UN envoy, Ismail Ould Cheikh Ahmed. We regret that peace is on hold due the desire of the revolutionaries to continue the war," he said.
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From: [redacted]
Sent: 5/15/2017 2:05:53 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

dubai is great 🙈🙈🙈

Sent from my iPhone

On May 15, 2017, at 1:37 PM, jeffrey E. <jeevacation@gmail.com> wrote:

http://www.jpost.com/Opinion/Candidly-Speaking-Lauder-promoting-Abbas-as-moderate-is-fraught-with-danger-490630 he just left my house when you arrived. he is the key for you, I understand Dubai

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From: Nicholas Ribis[redacted]
Sent: 5/27/2017 10:23:02 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

Yes but bad time call me at 8 or early tomorrow

Sent from my BlackBerry 10 smartphone.

From: jeffrey E.
Sent: Saturday, May 27, 2017 6:20 PM
To: Nicholas Ribis
Subject: Re:

are you on cell?

On Sat, May 27, 2017 at 6:14 PM, Nicholas Ribis <[redacted]> wrote:

Wow I wonder what Jarred did u know DJT knew!

Sent from my BlackBerry 10 smartphone.

From: jeffrey E.
Sent: Saturday, May 27, 2017 6:11 PM
To: Nicholas Ribis
Subject:

getting hotter

--

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From: Nicholas Ribis[redacted]
Sent: 5/28/2017 11:36:29 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

Exercising call me in hour thank u

Sent from my BlackBerry 10 smartphone.

From: jeffrey E.
Sent: Sunday, May 28, 2017 6:03 AM
To: Nicholas Ribis
Subject: Re:

ping me when awake

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From: Nicholas Ribis[redacted]
Sent: 5/28/2017 12:10:18 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

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Sent from my BlackBerry 10 smartphone.

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From: Nicholas Ribis [[redacted]
Sent: 5/28/2017 12:14:48 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

[redacted]

Sent from my BlackBerry 10 smartphone.

From: jeffrey E.
Sent: Sunday, May 28, 2017 8:13 AM
To: Nicholas Ribis
Subject: Re:

number?

On Sun, May 28, 2017 at 8:10 AM, Nicholas Ribis <[redacted]> wrote:

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From: Nicholas Ribis [redacted]]
Sent: 5/30/2017 12:35:41 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

Ok

Sent from my BlackBerry 10 smartphone.

From: jeffrey E.
Sent: Monday, May 29, 2017 8:34 PM
To: Nicholas Ribis
Subject: Re:

You can come earlier if you like?
On Sun, May 28, 2017 at 8:14 AM Nicholas Ribis <[redacted]> wrote:
[redacted]

Sent from my BlackBerry 10 smartphone.

From: jeffrey E.
Sent: Sunday, May 28, 2017 8:13 AM

To: Nicholas Ribis
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From: Nicholas Ribis [[redacted]
Sent: 6/2/2017 11:22:47 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

At wake now. Is AM ok - what is #

Sent from my BlackBerry 10 smartphone.

From: jeffrey E.
Sent: Friday, June 2, 2017 7:20 PM
To: Nicholas Ribis
Subject: Re:

can you call my cell

On Mon, May 29, 2017 at 8:35 PM, Nicholas Ribis <[redacted]> wrote:

Ok

Sent from my BlackBerry 10 smartphone.

From: jeffrey E.
Sent: Monday, May 29, 2017 8:34 PM
To: Nicholas Ribis
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You can come earlier if you like?

On Sun, May 28, 2017 at 8:14 AM Nicholas Ribis <[redacted]> wrote:

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From: jeffrey E.
Sent: Saturday, May 27, 2017 6:20 PM
To: Nicholas Ribis
Subject: Re:

are you on cell?

On Sat, May 27, 2017 at 6:14 PM, Nicholas Ribis <[redacted]> wrote:

Wow I wonder what Jarred did u know DJT knew!

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From: jeffrey E.
Sent: Saturday, May 27, 2017 6:11 PM
To: Nicholas Ribis
Subject:

getting hotter

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Sent: 6/3/2017 12:14:17 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

What's ur # I will call u

Sent from my BlackBerry 10 smartphone.

From: jeffrey E.
Sent: Friday, June 2, 2017 8:10 PM
To: Nicholas Ribis
Subject: Re:

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getting hotter

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From: Nicholas Ribis[redacted]
Sent: 6/3/2017 12:19:29 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

Or u can call me now

Sent from my BlackBerry 10 smartphone.

From: jeffrey E.
Sent: Friday, June 2, 2017 8:10 PM
To: Nicholas Ribis
Subject: Re:

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From: Nicholas Ribis [redacted]
Sent: 6/3/2017 12:32:31 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

He said that because he wants to discredit or downgrade u with the person he said it to

Sent from my BlackBerry 10 smartphone.

From: jeffrey E.
Sent: Friday, June 2, 2017 8:19 PM
To: Nicholas Ribis
Subject: Re:

[redacted]

On Fri, Jun 2, 2017 at 8:14 PM Nicholas Ribis <[redacted]> wrote:

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U know he lies only when his month is moving!

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From: Michael Wolff [redacted]
Sent: 6/8/2017 8:52:26 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: some questions...

Importance: High

A bit tone deaf, but a reasonable basis for creating a brief. If there's any issues you'd like me to clarify with him or explore, lemme know. It's just a friendly lunch, with the prospect of some Trump info.

On Thu, Jun 8, 2017 at 4:48 PM jeffrey E. <[redacted]> wrote:

Thoughts
---------- Forwarded message ---------
From: Matthew Hiltzik <[redacted]>
Date: Wed, Jun 7, 2017 at 2:37 PM
Subject: some questions...
To: jeffrey E. <jeevacation@gmail.com>
Cc: Ben Sosenko <[redacted]>

Attached and below please find some initial questions for you…

Looking forward to connecting over the next two days…

1. Please provide a brief overview of your professional background?

2. Who were your mentors? Do you keep in touch with any of them?

3. What are your 5 best professional achievements?

4. Who are some of your business partners?

5. Who are third-party validators who would speak on your behalf on the record?

6. Who are third-party validators who would speak on your behalf off the record?

7. What business projects are you currently working on?

8. What are your 5 best scientific achievements?

9. What are you currently working on in the science field?

10. What research institutions are you collaborating with?

11. What past philanthropic causes are you most proud of?

12. What philanthropic causes are you currently working on?

13. What organizations are you collaborating with philanthropically?

14. What upcoming events are you putting together or participating in?

15. What specific impacts have the accusations had on your career?

16. What specific impacts have the accusations had on your personal life?

17. What are the top 10-15 misrepresentations of what actually happened?

18. How are you specifically treated differently at home and abroad?

19. Are there any outstanding legal challenges that you are facing?

20. What are the other outstanding lawsuits that may draw publicity to your case?

21. Is there anything else upcoming that may draw interest to your case?

22. Have you agreed to any non-disclosures? Are there things you can't say about your case?

23. Did you ever write an op-ed? Would you ever write an op-ed?

Ben Sosenko
Hiltzik Strategies
p: [redacted]

[redacted]

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From: Michael Wolff [redacted]
Sent: 6/8/2017 9:07:00 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: some questions...

Importance: High

As...?
On Thu, Jun 8, 2017 at 5:05 PM jeffrey E. <jeevacation@gmail.com> wrote:
Christie back in

On Thu, Jun 8, 2017 at 1:52 PM Michael Wolff <[redacted]> wrote:
A bit tone deaf, but a reasonable basis for creating a brief. If there's any issues you'd like me to clarify with him or explore, lemme know. It's just a friendly lunch, with the prospect of some Trump info.

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Ben Sosenko
Hiltzik Strategies
[redacted]

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Kiev, 12 June 2017

Dear George,

Re: Ukrainian Banking Opportunity

Further to our discussion, I am sending a brief presentation on the prospect of establishing a banking footprint in Ukraine through the acquisition of a bank. Currently the central bank in Ukraine, the National Bank of Ukraine (NBU) is not keen to issue new banking licenses but urge prospective investors to acquire an existing license.

The main drivers for my positive stance on investing in the banking sector in Ukraine are:

- the improving economy following the IMF program with demanding but required structural reforms, with real GDP growth expected to reach 4% in 2020;

- the improving political conditions in terms of the conflict with Russia with the support of NATO;

- the recent developments in the EU-Ukraine relationship with the abolition of visa and the prospect of concluding the Association Agreement in July;

- the investment and commitments from supranational institutions so far (EBRD: c. US$6 billion being the third largest exposure of the bank after Turkey and Russia, World Bank: c. US$5 billion);

- the significant restructuring efforts in ensuring a healthier banking sector following AQR that resulted to the nationalization of the biggest bank Privatbank and the closing of half of the banks (over 90 banks), and the preparation of the state sector banks (52% share of assets) for privatization in the next 2 to 3 years; and

- the current landscape of the banking sector that allows organic expansion because of very few notable foreign banks that have the ability to develop business or, even more, to exploit the potential for consolidating the banking sector where government owns 52% in a market with increasing trend in loans and deposits and high commission income.

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Economy

Macroeconomic Framework

(Percent change, unless otherwise indicated)

	2016	2017		2018		2019	2020	2021
	Actual	3rd Review SR	Proj.	3rd Review SR	Proj.	Proj.	Proj.	Proj.
Real GDP	2.3	2.9	2.0	3.1	3.2	3.5	4.0	4.0
Inflation (eop)	12.4	10.0	10.0	7.0	7.0	6.0	5.0	5.0
General government balance 1/	-2.2	-3.1	-3.0	-2.6	-2.5	-2.3	-2.1	-2.0
Public Debt 1/	81.2	91.4	89.8	86.2	85.3	78.1	71.6	65.6
External current account 1/	-3.6	-3.0	-3.7	-2.6	-3.0	-2.4	-2.3	-2.9
GIR (eop, billions of U.S. dollars)	15.5	22.3	21.8	30.2	29.5	30.1	30.8	32.0
Months of next year's imports	3.4	4.7	4.6	5.9	5.8	5.4	5.2	5.0
Percent of IMF composite measures	61.9	83.9	82.0	105.3	102.4	101.3	101.8	102.4

Sources: Ukrainian authorities; and IMF staff estimates.

1/ Percent of GDP.

Following a severe crisis in 2014-15, the economy is growing again-by 2.3 percent in 2016-and the flexible exchange rate and tight fiscal and monetary policies have greatly reduced internal and external imbalances. GDP, which declined from its peak of US$183 billion in 2013 to US$90 billion in 2015, is now recovering at a growth above 2% and is expected to grow at 3.2% in 2018. Growth is projected at 3.5%-4% in the medium term (IMF).

The current account deficit fell sharply, from over 9% of GDP in 2013 to 3.6% of GDP in 2016 and reserves-while still low-have more than doubled to US$17.6 billion (end of 2017 target at US$21.3 billion). The overall fiscal deficit-including the energy sector's quasi-fiscal losses, which had increased to 10 percent of GDP in 2014, declined to 2.3% of GDP in 2016, supported by strong spending control and the decision to raise energy tariffs to market levels.

Inflation has fallen steadily from its peak of 61% in April 2015 to 12.4% by end-2016, well within the target range of the NBU. It is projected to reach 9% in 2017 and 5% in the medium term.

Ukraine has entered into a 4-year Extended Fund Facility (EFF) with IMF in March 2015 for US$17.5 billion. Following the third review by IMF the fourth tranche of US$1 billion was approved which would bring total disbursements under the arrangement to about US$8.38 billion. The EFF aims to put the economy on the path to recovery, restore external sustainability, strengthen public finances, maintain financial stability, and support economic growth by advancing structural and governance reforms, while protecting the most vulnerable.

The Ukrainian administration showed commitment to reforms by nationalising the largest private bank, Privatbank, and liquidating over 100 banks within 3 years.

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Also, collection of taxes has increased significantly (34% increase in 2 years) and spending has been contained while at the same time energy/utility tariffs have increased dramatically at full cost recovery basis.

The main reforms agreed with the IMF include the privatisation of large state enterprises such as the Odessa Portside Plant and Centrenergo, the lifting of the embargo on the sale of agricultural land to foreigners, the raising of the pension age, the restructuring of the health system and the increase in efforts combating corruption.

Most of these reforms, although not expected to be completed in the immediate term, they are expected to be implemented in a gradual process.

For example, land reform may be initiated partially by privatising state agricultural land (1 billion hectares). 25% of world's black-earth soil is in Ukraine, considered the most fertile and productive agricultural land. Over 70% of Ukraine is agricultural land valued at US$100 billion. Ukraine is the biggest exporter in sunflower oil globally, 2nd in world grain exporter after the US and 3rd in corn exports globally. The land reform is expected to elevate the country's performance with significant FDIs from international investors.

On the pension front, the Cabinet of Ministers approved the draft of the pension reform-IMF and World Bank already supported the draft- and will discuss it at the National Reform Council, to be then submitted to the Rada (parliament). The pension reform was long overdue, given that the Pension Fund deficit reached UAH 140 billion or 6.3% of GDP in 2016. Pension reform is considered to be one of the most socially sensitive reforms the government is planning to implement under the current IMF Extended Arrangement. However, it seems that the government has managed to avoid the most unpopular measure of increasing the statutory pension age while increasing the effective pension age. The proposed reform will assist in reducing the deficit starting from mid-2018.

The implementation of the reforms should assist the government in managing the debt profile of the country presented below. While there is no imminent need for IMF disbursements, 2019 (presidential and parliamentary) elections coincide with a US$7 billion peak of public sector FX needs, while US$12 billion is due in total in 2017-19. The authorities need to secure sufficient FX funding in advance, while the alternative funding sources are limited. The FX reserves increased to US$17 billion, but cover 3.8 months of imports only.

As already described in the recent IMF review, Ukraine is expected to re-access the international capital market as early as the second part of 2017 supported by the improved debt profile resulting from the recent debt operation (perimeter of the debt operation included sovereign and sovereign guaranteed Eurobonds, City of Kyiv Eurobonds, Guaranteed Commercial Loans and SOE debt) for a total nominal

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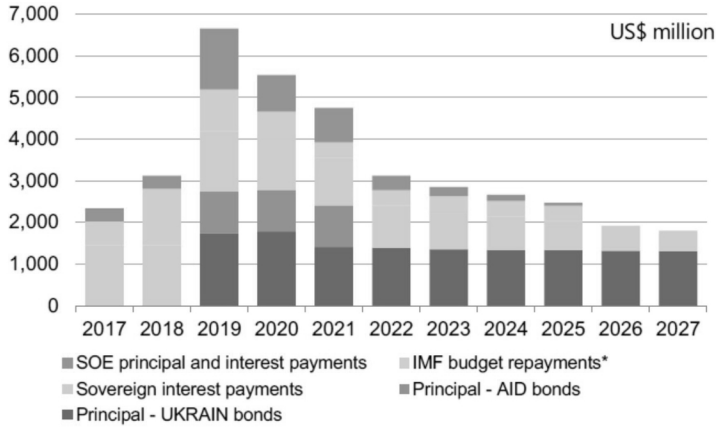
value of USD 19.3 billion). The debt profile has become more favorable with the increase of the share of official debt, a decline in the foreign currency debt share and the very low share of short term debt. This should effectively make easier the refinancing of the debt in 2019 and 2020.

The synthesis of the current parliament allows the government to push for reforms in 2017 and early 2018 before they turn to populist measures just before elections. Leading the country off-track with the IMF program will surely limit even further the funding resources of the country.



Source: Bloomberg, Morgan Stanley Research; See Ukraine Economics and Strategy: Kyiv Trip Takeaways, April 7, 2017.

Politics

EU has verified its support by (i) lifting its visa requirements to Ukrainian citizens for traveling, a long awaited move that embeds symbolism of support and (ii) following the vote by the Dutch parliament to support Ukraine's Association Agreement, it is expected that the ratification of the Association Agreement, including the Deep and Comprehensive Free Trade Area component will be ratified in the Ukraine-EU Summit on July 13.

NATO has also shown strong support to Ukraine by providing various forms of assistance through advice and training to strengthen its defence by building stronger security structures. The Ukrainian defence industry may also get permission to participate in tenders for the supply of goods and services for NATO.

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Last week Ukraine's Foreign Minister Pavlo Klimkin stated that he expects an expanded partnership between Ukraine and NATO will lead Ukraine to a membership in the Alliance following a path similar to that of Montenegro.

With regard to the United States, for now President Trump's ambiguous positioning in Russian affairs seems to have little impact on the U.S. Administration's Ukraine policy. The Administration is expected to continue its support for the actions of NATO, the IMF and Secretary of State Tillerson has reaffirmed in April 2017 that the U.S. will not lift sanctions against Russia as long President Putin does not hand Crimea back to Kiev.

In internal politics, we would expect Mr Poroshenko, the President of Ukraine, to sign the Association Agreement, thus improving his diminishing ratings and to win the presidential elections in 2019. In my opinion, Mr Poroshenko is also delaying the elections in the conflict zone of Donbass, a major requirement featured in the Minsk Agreement, in order to avoid the negation of his good performance on the European prospect, and then, assessing the Russian conflict situation at that point in time, to progress with the Minsk Agreement and effectively resolve a major part of the conflict. I do not think that Crimea will ever find its way back to Ukraine but if all other matters are resolved, a financial settlement would be considered.

Therefore the status of "frozen conflict" in the Donbass area would remain in the short to medium term but the economy of Ukraine has been operating for a number of years now without the Donbass and the annexed to Russia Crimea. All growth estimates published by various international institutes incorporate similar assumptions.

Banking Sector

In the past 3 years there has been a clean-up by the National bank of Ukraine (NBU) with the support of IMF mainly as well as of EBRD and IFC. The number of banks has been reduced from 192 to 92 and there are still banks that will be liquidated. The most drastic action was the nationalisation of Privatbank, the biggest bank in the country (market share 17.7% by assets, 36% of deposits of physical persons), owned by an oligarch that was posing a systemic risk to the country's economy and which was found to be insolvent mainly because of bad lending practices with loans extended to related parties. However, Privatbank is servicing 20 million customers providing to them state-of-the-art digital banking

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and other electronic services. IMF has demanded that the resolution of this issue as well as the recapitalisation of other banks, as it resulted from the AQRs performed by NBU, is a prerequisite for the disbursement of its 4th tranche which in fact was executed successfully by the Ukrainian administration.

As a result the banking sector presented record losses in 2016 of US$6.2 billion (Privatbank US$5.2 billion). 1Q17 is already in profit (US$220 million) and is expected to continue increasing throughout the year.

The current landscape is that 40 banks make up the 98% of the assets, the top 20 the 90.2%, the top 10 the 74% and of which 10 the top 4 banks are state owned and make up the 52% of the assets.

Top 20 banks in Ukraine

Bank	Net assets, €mn	Market share by assets, %			
1. Privatbank	7,742	17.7	***state-owned banks***		51,8%
2. Oschadbank	7,411	16.9	***banks with foreign capital***		32,4%
3. Ukreximbank	5,642	12.9	*of which*		
4. Raiffeisen Bank Aval	1,970	4.5	*Russian government owned*		8,4%
5. Ukrgasbank	1,897	4.3	*Ukrainian banks*		6%
6. Sberbank	1,698	3.9			
7. Ukrsibbank	1,596	3.7			
8. FIUB	1,568	3.6			
9. Alfa Bank	1,371	3.4			
10. Ukrsotsbank	1,305	3.1			
11. Prominvestbank	1,169	2.8			
12. Credit Agricole Bank	1,052	2.4			
13. OTP bank	874	2			
14. Pivdennyi	727	1.7			
15. VTB bank	706	1.7			
16. Citibank	685	1.6			
17. ING bank Ukraine	611	1.4			
18. ProCreditBank	426	1			
19. Kredobank	390	0.9			
20. Megabank	317	0.7			

For the State Owned Banks, namely Privatbank, Oschadbank, Ukrexim and Ukrgas, the plan is that they prepare them for sale in the medium term, in around 2-3 years. To this purpose EBRD mostly and IFC to a lesser extent has been assisting the Government by placing directors in the Supervising Boards of these banks, so that corporate governance is implemented.

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The Russian government owned banks, making up the 8.4% of the banking assets, are heavily undercapitalised being below the required norms because of underprovided problematic loan portfolios with NBU imposing certain sanctions. Moreover, there have been many aggressive actions from Ukrainian activists because of the war conflict and all of them, namely Sberbank, VTB (controls two banks in Ukraine, VTB and BM Bank) and Prominvestbank, have announced their departure by selling the banks. So far the sale of Sberbank has been agreed to Norvik bank of Latvia that belongs to individuals of Russian origin, pending the approval from the NBU.

The banks with Ukrainian capital in the top 20 banks share 6% of assets with the most notable being FUIB of Mr Akhmetov.

Proposal

I would propose the acquisition of a profitable bank with lower than the average NPL portfolio, operated by a West European shareholder, with a reasonable market share and of a digestible acquisition price in order to capture the projected 4-year economic growth trend in Ukraine (base scenario by IMF and EBRD) in a market with:

- *Small competition*

  Analysing the current landscape of the top 20 banks that command around 90% market share of assets, there are very few banks that would be competent to pursue business development given their specific circumstances.

  The state owned banks that command the 52% are obviously bothered with trapped legacy and corporate governance issues. All four banks are also preparing for their potential privatisation, however, the task of transforming the mentality of the staff of these banks to that similar of a private one should be close to impossible, at least for a period of 3 years. I would have thought that their liquidity would be most probably invested in government titles rather than pursuing loans aggressively by competing at low interest rates.

  The Russian government owned banks that command 8.4% are already at the "sales process" stage and I believe that there will be no European investors that would invest in such banks that are undercapitalised as officially NBU has confirmed, with most of their loans being NPEs.

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Effectively the banks that could compete and have the size and access to cheaper foreign exchange funding as well as trade finance capabilities are Raiffeisen, Ukrsib, Credit Agricole and OTP accounting for 12.6% collectively.

Raiffeisen is engaged in dealing with the retail business and the work out of their NPLs. However, its long-serving CEO Mr Lavrenchuk is rumoured to become the Governor of NBU and the management team will be replaced with expatriates from Raiffeisen's head office. This move will create a major upset in the bank's structure and may result to a major change in strategy with a considerable time to be needed for bringing the bank back to smooth operation.

Alfa who have bought over Unicredito's Ukrsots bank (6.5% combined) and who have historically being engaged in retail lending and large corporates should continue to pursue this business and should devote resources to the merger with Ukrsots and manage the business lending that should take some time to grasp. Rumours say that they will initiate the merger process in not less than a year and already they have discontinued new business lending servicing existing customers only.

FUIB have been given a plan to recapitalise the bank or decrease their assets and therefore they are out of the business for the time being.

ING and Citi are providing large corporate and investment banking services only.

- *Improving quality of borrowers*

Following the improvement in collecting taxes and the enactment of new legislation, and therefore decreasing the non-declared income, as well as the significant increase in commodity prices and the increase in disposable income, credit affordability has increased among business and individuals.

- *Increasing loans and deposits that suffice for the credit growth*

Evolution of loans and deposits 2015-2021

	2015	2016		2017					2018	2019	2020	2021
	Dec.	Dec.		Mar.	Jun.	Sep.	Dec.					
	Act.	3rd Review SR	Act.	Proj.	Proj.	Proj.	3rd Review SR	Proj.	Proj.	Proj.	Proj.	Proj.
Credit to the economy	1,013	1,003	1,003	987	1,023	1,081	1,077	1,081	1,172	1,286	1,407	1,554
Domestic currency	465	508	508	494	538	574	568	575	614	691	773	897
Foreign currency	548	494	494	493	485	507	508	506	558	596	634	657
(In billions of U.S. dollars)	22.9	18.4	18.2	17.9	17.3	17.5	17.5	16.9	18.3	19.3	20.5	21.2
Banks' liabilities	711	788	788	783	802	845	875	872	1,070	1,252	1,459	1,641

The European prospect of Ukraine that is supported not only politically but also from the international financial institutions along with the effort of the

HOUSE_OVERSIGHT_026141

government to execute the structural reforms and hence achieve the economic growth projected, should allow the access of the Ukrainian enterprises to the European market and lead to further consolidation in the banking market.

In particular the loans market should increase and is projected by IMF at US$17.5 billion in the period 2018-2021 (9.9% CAGR). It is anticipated that there will be a significant demand for investment loans so that SMEs and large corporates invest in infrastructure in order to produce products and services at standards accepted in the EU countries.

Deposits are increasing (1Q17: 1.3% comprising increase in UAH deposits of 3.8% and decrease in FC of 1.9% mainly due to the repayment of foreign currency guaranteed deposits of liquidated banks back in hryvnia). The trend is expected to increase because of the return of trust to the public (estimated money "under the mattresses" US$6-10 billion).

- *Potential for high commission income*

  Commission income in 2016 amounted to US$922 million representing 34% of the total banking revenue (25% for banks with foreign capital) exceeding the average of the European banks. The most significant types of commission are related to foreign exchange and money transfers. The difference in the share of commissions in the banking revenue between the banks with foreign capital and the banking sector average is mainly due to the fact that state owned banks are the exclusive banking providers for the government organisations. There are actions from the Banks' Association to change to ratings criteria to introduce fair competition.

  In 2016 total commissions returned 2.8% on assets. Considering that the sector's balance comprises 37% cash and securities, this return is deemed high. In general Ukrainians are accustomed to high commissions and in paying for services. Commission income is expected to grow even further as exports and disposable income would be growing.
- *Consolidation prospect*

  Opportunity to participate in the forthcoming consolidation of the sector, ripping the benefits of acquiring customers from state owned banks at least and grow organically.

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Ukrsib bank

I have considered a number of banks (Appendix I) and given my experience in the country, Ukrsib is my top choice for the following reasons:

- Image of a European reliable, ethical, healthy bank with good electronic banking solutions (Top 5 in 2017) servicing first class corporate customers and their employees. The shareholders comprise BNP Paribas (60%) and EBRD (40%).
- Good coverage ratio of problematic loans, a practice of French banks we have observed in many occasions with recent experience in Greece with Credit Agricole and Soc Gen.

  The NPL ratio is 31% (EUR 301 million), less than the 36.4% average for banks with foreign capital, and coverage of around 80%. From the 2016 audited annual accounts, the remaining 20% net of reserves NPL portfolio is covered 4 times by collateral. The most problematic loans population has been that of mortgages in foreign currency and it seems that Ukrsib has provisioned this part adequately.

Loans portfolio quality (31.12.2016) **€mn**						
	Mortgages	**Other mortgages**	**Consumer loans**	**Overdrafts**	**Other loans**	**Total**
Neither past due nor impaired						
High grade	0.2	5		0.1	508	**513.3**
Medium grade						**0**
Low grade		4				**4**
Without ranking (up to 1 year)	1	3	21	7	13.3	**45.3**
Without ranking (1-10 years)	20	3	20	0.1	3	**46.1**
Without ranking (more than 10 years)	45				5	**50**
Total neither past due nor impaired	**66.2**	**15**	**41**	**7.2**	**529.3**	**658.7**
Past due but not impaired						

HOUSE_OVERSIGHT_026143

less than 10 days overdue	2	0.2	0.5	0.1		**2.8**
11-30 days overdue	1	0.1	0.2			**1.3**
31-90 days overdue			0.5			**0.5**
91-180 days overdue						
181-360 days overdue						
over 360 days overdue						
Total past due but not impaired	**3**	**0.3**	**1.2**	**0.1**	**0**	**4.6**
Loans to be impaired						
not yet past due	5	13	0.7		27	**45.7**
less than 10 days overdue	0.3				0.3	**0.6**
11-30 days overdue	0.1					**0.1**
31-90 days overdue	3				6	**9**
91-180 days overdue	4	11	0.4			**15.4**
181-360 days overdue	8	22	0.3			**30.3**
over 360 days overdue	149	20	2.5	0.6	28	**200.1**
Total loans to be impaired	**169.4**	**66**	**3.9**	**0.6**	**61.3**	**301.2**
Total loans before provisions	**240**	**82**	**46**	**8**	**591**	**967**
Provisions	-140	-38	-5	-1	-55	-239
Net loans	**100**	**44**	**41**	**7**	**536**	**728**

HOUSE_OVERSIGHT_026144

Net Loans coverage by collateral value (31.12.2016)

€mn

	31th of December 2016		31th of December 2015	
	Assets balance value	**Fair value of collaterals**	**Assets balance value**	**Fair value of collaterals**
Mortgages				
Neither past due nor impaired	65	213	109	393
Past due but not impaired	3	12	10	27
Loans determined to be impaired	*31*	*168*	*104*	*242*
Other mortgages				
Neither past due nor impaired	15	62	78	192
Past due but not impaired	0.3	4	9	7
Loans determined to be impaired	*28*	*97*	*31*	*109*
Consumer loans				
Neither past due nor impaired	41	5	30	8
Past due but not impaired	1	0.2	1	0.3
Loans determined to be impaired	*0.1*	*2*	*0.3*	*2*
Overdrafts				
Neither past due nor impaired	7	2	6	4
Past due but not impaired	0.1		0.2	
Loans determined to be impaired				
Other loans				
Neither past due nor impaired	519	150	419	98
Past due but not impaired	0.1	0.1	0.1	0.3
Loans determined to be impaired	*17.4*	*33*	*3*	*10*
Total	**728**	**748.3**	**800.6**	**1092.6**
Total loans net of impairment	***76.5***	***300***	***138.3***	***363***
Collateral coverage	***392%***		***262%***	

HOUSE_OVERSIGHT_026145

- Large clientele of about 2 million customers (including 150,000 business customers) serviced out of 378 branches with excellent retail product offering, for which, however, the know-how contribution of Paris must have been significant. They are also offering private banking and asset management services in cooperation with their Swiss subsidiaries.

- They are leaders in trade finance, assisted by their operations in Switzerland. They have corporate relations with the best local enterprises and they cross sell their retail services to their customers and their partners.

Loans portfolio by sectors €mn				
	31th of December 2016		31th of December 2015	
	€mn	%	€mn	%
Individuals	319	33.0	374	39.6
Trade and finance	251	25.9	196	20.8
Agriculture and food industry	231	23.9	190	20.1
Telecommunication services	61	6.3	107	11.3
Transport services	47	4.9	2	0.2
Manufacturing	26	2.7	11	1.2
Chemical undustry	11	1.1	13	1.4
Construction	9	0.9	13	1.4
Transport vehicles trade	4	0.4	18	1.9
Gas and oil	4	0.4	12	1.3
Minning and metallurgy	3	0.3	3	0.3
Other	1	0.2	5	0.5
Total loans (before provisions)	**967**	**100.0**	**944**	**100.0**

The product mix in the loans portfolio that is not in delay is 81% business and 19% retail lending with business lending focusing in the agricultural sector.

- Excellent funding mix with the majority being current accounts at low cost.

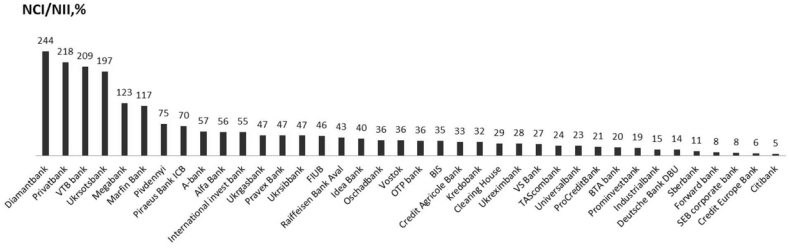
HOUSE_OVERSIGHT_026146

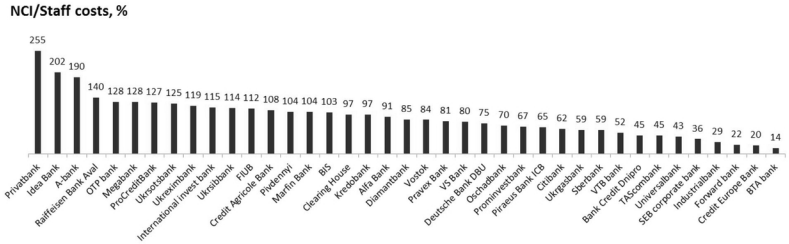
Customer accounts €mn		
	31th of December 2016	31th of December 2015
Current accounts		
legal entities	301	303
individuals	624	489
Total current accounts	**925**	**792**
Term deposits		
legal entities	276	349
individuals	80	129
Total term deposits	**356**	**478**
Total customer accounts	**1281**	**1270**

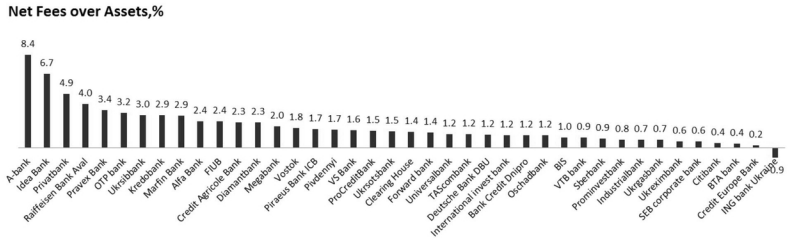
Customer accounts by sectors €mn				
	31th of December 2016		31th of December 2015	
	€mn	%	€mn	%
Individuals	406	32	417	33
Manufacturing	219	17	213	17
Trade	446	35	437	34
Financial services	96	8	91	7
Transport and connection	87	7	83	7
Culture and education services	17	1	17	1
Other	10	1	12	1
Total customer accounts	**1281**	**101**	**1270**	**100**

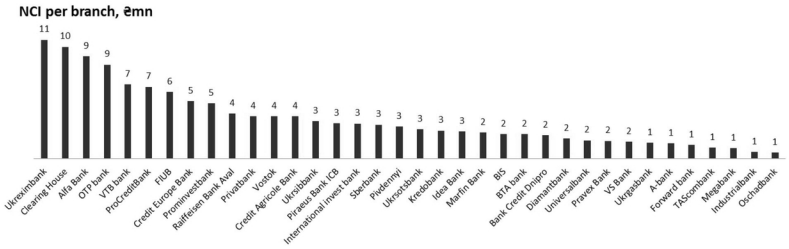
- High commissions covering their staff costs (2016: 112%). Net commissions make up the 32% of their Net Banking Revenue and yielding 3% on Assets.

HOUSE_OVERSIGHT_026147









- The published financial statements for 1Q17 are “cleaner” in terms of “grossed up” balances such as accruals of NPLs and therefore present a better base to project 2017 financial results.

HOUSE_OVERSIGHT_026148

1Q 2017 P&L € mn		
	Ukrsibbank	
	Q1 2017	Q1 2016
Interest income	29	38
Interest expense	-6	-14
Net interest income	**23**	**24**
Net commission income	**12**	**10**
Trading & other income	**3**	**7**
Employee costs	-10	-9
Depreciation	-1	-1
Administrative and other operating costs	-6	-6
Other provisions	0	0
General & Admin. Expenses	**-18**	**-16**
Pre Provision Income	**20**	**25**
Provision for loan impairment	-9	-56
Profit before tax	**11**	**-31**
Income tax expense	-2	-0
Net profit	**8**	**-31**

Please see summary of 2016 audited financial statements for Ukrsib, Ukrgas and Raiffeisen as well as their 1Q17 statements in Appendix I.

- The bank is overcapitalised at 21.37% CAD mainly due to subordinated debt provided by EBRD in USD during the years of crisis. About EUR 135 million were outstanding at 1.5% (1Q17: EUR 104 million) with their contribution to regulatory capital being EUR 73 million which is equivalent to 7.51% CAD ratio. The minimum CAD required by NBU is 10%. 71% of the subordinated is due to be repaid in 2019.

HOUSE_OVERSIGHT_026149

Regulatory Capital €mn	
	31 December 2016
Tier 1	146,079
Additional Capital-Sub Debt	72,515
Deductions	-12,167
Total Regulatory Capital	206,427
CAD Ratio	**21.37%**
Implied RWA	**965,965**
Regulatory Capital excluding Additional	**133,912**
CAD Ratio Adjusted	**13.86%**

Due to the large interest margins and the high commissions, the capital to be created from profits is growing faster than the reduction of the capital contributed by the subordinated debt.

****

Although Raiffeisen has already undergone a sales process twice, the last being 3 years ago, without success, I still consider the amount of its equity at EUR 350 million a very large amount to invest for gaining 0.8% more market share than that of Ukrsib.

This information is as much I could gather but I will meet with EBRD for other reasons and will try to extract more information mostly on the intentions of BNP in dealing with their Ukrainian presence. From what I know EBRD's 40% is considered exceptionally high as equity participation percentage comparing to their usual 10-15% and most probably they would be willing to listen to exit scenarios, possibly remaining as shareholders at a lower percentage.

I think it is too early to discuss potential price but having EBRD inside already I would assume that 1x less due diligence adjustments should be the maximum,

HOUSE_OVERSIGHT_026150

possibly around 0.8, with 0.5x being the floor. An indicative amount for buying the 90% of the shares with EBRD holding the remaining 10% should be in the region of EUR 110 million.

I expect that an IRR greater than 25% can be achieved considering the profitability of the current assets at c. EUR 50 million excluding trading gains, the additional profitability from organic expansion in lending at the levels assumed by IMF for the banking market and assuming that the exit from the investment will be achieved at the same multiple as that of the entry level (0.8x).

I am available at any time to discuss the above. Should your investors be interested in the project I would be more than happy to meet them and arrange their meeting with EBRD. The next step following our meeting with EBRD would be to meet BNP and, in case they accept a bilateral process, to arrange and manage the deal process. As discussed my main objective is to lead manage the bank with a competent management team, to be compensated by "sweat equity", and looking forward to be a major participant in the consolidation of the industry.

I will also send to you the latest benchmarking review of the banking sector we are preparing for your perusal.

Best regards,

Yannis

HOUSE_OVERSIGHT_026151

Appendix 1 -2016 Balance Sheet
€ mn

	Ukrsibbank		Ukrgasbank		Raiffeisen Bank Aval	
Assets	**31 / 12/16**	**31 / 12/15**	**31 / 12/16**	**31 / 12/15**	**31 / 12/16**	**31 / 12/15**
Cash and cash equivalents, banking metals	68	475	88	152	362	480
Accounts in NBU and other banks	561	9	229	353	358	244
Derivatives	0	0	0	1	0	0
Loans and advances to customers	728	799	716	535	985	964
Trading securities	0	0	14	0	28	9
Investment securities available-for-sale	136	252	704	318	0	0
Investment securities held-to-maturity	0	0	35	115	0	0
Securities at fair value through profit or loss	0	0	0	0	74	77
Fixed and intangible assets	45	45	53	44	83	98
Investment property	1	0	2	2	4	6
Investments in subsidiaries	0	13	0	0	2	8
Assets held-for-sale	0	0	40	37	2	0
Deferred income tax assets and current income tax prepayment	38	43	3	3	39	50
Other financial and non-financial assets	20	19	13	11	33	20
Total assets	**1,596**	**1,656**	**1,897**	**1,585**	**1,970**	**1,954**
Liabilities						
Due to NBU and other banks	1	0	59	354	22	88
Derivatives	2	0	1	1	0	0
Customer accounts	1,282	1,270	1,625	1,049	1,561	1,523
Provisions for liabilities and other liabilities	33	26	26	17	33	24
Subordinated debt	135	291	0	0	0	80
Total liabilities	**1,452**	**1,587**	**1,710**	**1,421**	**1,616**	**1,715**

HOUSE_OVERSIGHT_026152

Equity						
Share capital	178	68	487	528	217	235
Acquired property rights on shares	0	0	-18	-20	0	0
Result of operations with shareholders	0	0	-39	-42	0	0
Emission differences	29	31	0	0	0	0
Additional paid-in capital	0	0	5	5	107	116
Other provisions	0	0	21	-5	44	50
Retained profit/losses	-63	-30	-269	-303	-13	-162
Net equity	**144**	**69**	**186**	**164**	**354**	**239**
Total liabilities and equity	**1,596**	**1,656**	**1,897**	**1,585**	**1,970**	**1,954**

Appendix 1 -2016 Profit & Loss € mn

HOUSE_OVERSIGHT_026153

	Ukrsibbank		Ukrgasbank		Raiffeisen Bank Aval	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Interest income	142	157	193	134	232	237
Interest expence	-44	-65	-167	-106	-58	-86
Net interest income	**98**	**93**	**25**	**28**	**174**	**151**
Net commission income	**46**	**61**	**12**	**8**	**67**	**65**
Trading&other income	**20**	**12**	**-0**	**-1**	**30**	**25**
Employee costs	-38	-40	-20	-16	-53	-50
Depreciation	-6	-8	-4	-2	-12	-13
Administrative and other operating costs	-23	-29	-22	-18	-50	-50
Other provisions	0	0	-1	-5	-9	0
General & Admin. Expenses	**-67**	**-76**	**-48**	**-41**	**-124**	**-113**
Pre Provision Income	**98**	**90**	**-11**	**-5**	**147**	**129**
Provision for loan impairment	-127	-93	20	17	1	-191
Profit before tax	**-33**	**1**	**9**	**12**	**147**	**-62**
Income tax expense	-2	-0	1	-2	-13	7
Net profit	**-35**	**1**	**10**	**10**	**134**	**-55**

HOUSE_OVERSIGHT_026154

Appendix 1 -1Q17 Balance Sheet
€ mn

	Ukrsibbank		Ukrgasbank		Raiffeisen Bank Aval	
	31/3/17	31/3/16	31/3/17	31/3/16	31/3/17	31/3/16
Assets						
Cash and cash equivalents, banking metals	73	68	124	88	466	362
Accounts in NBU and other banks	471	561	260	229	253	358
Derivatives	0	0	0	0	0	0
Loans and advances to customers	663	728	727	716	1,005	985
Trading securities	0	0	13	14	36	28
Investment securities available-for-sale	137	136	972	704	0	0
Investment securities held-to-maturity	0	0	0	35	0	0
Securities at fair value through profit or loss	0	0	0	0	93	74
Fixed and intangible assets	45	45	52	53	82	83
Investment property	1	1	2	2	4	4
Investments in subsidiaries	0	0	0	0	2	2
Assets held-for-sale	0	0	38	40	2	2
DTA and inc. tax prepay.	35	38	2	3	28	39
Other financial and non-financial assets	16	20	11	13	20	33
Total Assets	**1,440**	**1,596**	**2,201**	**1,897**	**1,992**	**1,970**
Liabilities						
Due to NBU and other banks	0	1	54	59	18	22
Derivatives	0	2	0	1	0	0
Customer accounts	1,162	1,282	1,956	1,625	1,547	1,561

HOUSE_OVERSIGHT_026155

Provisions for liabilities and other liabilities	24	33	17	26	29	33
Subordinated debt	104	135	0	0	0	0
Total Liabilities	**1,290**	**1,452**	**2,027**	**1,710**	**1,594**	**1,616**
Equity						
Share capital	175	178	478	487	213	217
Acquired rights on shares	0	0	-18	-18	0	0
Result of operations with shareholders	0	0	-38	-39	0	0
Emission differences	28	29	0	0	0	0
Additional paid-in capital	0	0	5	5	105	107
Other provisions	0	0	11	21	43	44
Retained profit/losses	-53	-63	-263	-269	38	-13
Total Equity	**150**	**144**	**174**	**186**	**398**	**354**
Total Liabilities and Equity	**1,440**	**1,596**	**2,201**	**1,897**	**1,992**	**1,970**

HOUSE_OVERSIGHT_026156

Appendix 1 -1Q17 P&L € mn

€ mn						
	Ukrsibbank		Ukrgasbank		Raiffeisen Bank Aval	
	Q1 2017	Q1 2016	Q1 2017	Q1 2016	Q1 2017	Q1 2016
Interest income	29	38	51	43	57	55
Interest expense	-6	-14	-36	-37	-10	-17
Net interest income	**23**	**24**	**15**	**5**	**46**	**39**
Net commission income	**12**	**10**	**4**	**2**	**17**	**13**
Trading & other income	**3**	**7**	**4**	**-17**	**7**	**10**
Employee costs	-10	-9	-6	-4	-14	-12
Depreciation	-1	-1	-1	-1	-4	-3

HOUSE_OVERSIGHT_026157

Administrative and other operating costs	-6	-6	-6	-4	-12	-11
Other provisions	0	0	-4	-0	-1	-0
General & Admin. Expenses	**-18**	**-16**	**-17**	**-9**	**-31**	**-27**
Pre Provision Income	**20**	**25**	**6**	**-19**	**39**	**35**
Provision for loan impairment	-9	-56	-5	20	22	-10
Profit before tax	**11**	**-31**	**1**	**1**	**61**	**25**
Income tax expense	-2	-0	-1	-0	-11	-2
Net profit	**8**	**-31**	**1**	**1**	**50**	**23**

HOUSE_OVERSIGHT_026158

From: Lang, Caroline [redacted]
Sent: 7/11/2017 9:40:01 AM
To: jeffrey E. [jeevacation@gmail.com]; Jack Lang [redacted]
Subject: RE:

Importance: High

Yes, I saw the news

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: lundi 10 juillet 2017 23:17
To: Lang, Caroline [redacted] Jack Lang [redacted]
Subject:

re trump. as i said they will first go after his family

--

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From: Nicholas Ribis[redacted]
Sent: 7/16/2017 12:23:00 PM
To: Jeffrey Epstein [JEEvacation@gmail.com]

Importance: High

Saw Matt C with DJT at golf tournament I know why he was there

Sent from my iPhone

From: Jack LANG [redacted]
Sent: 7/17/2017 8:48:09 AM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Re:

Importance: High

You were spot on, Jeffrey!

Le 10 juil. 2017 à 23:17, jeffrey E. <jeevacation@gmail.com> a écrit :

re trump. as i said they will first go after his family

--

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From: Stanley Rosenberg [redacted]]
Sent: 8/25/2017 10:13:23 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: I look forward to hearing from you

Importance: High

I am free today after 8 o'clock a. m. EST until 3 p.")

Sent from my iPhone

On 25 Aug 2017, at 09.49, jeffrey E. <jeevacation@gmail.com> wrote:

I recall. Let's skype or phone

On Fri, Aug 25, 2017 at 2:56 AM Stanley Rosenberg[redacted] wrote:

What nice coverage in the Huffington Post.

Living in Europe, I was not aware that Trump's proposed cuts will be so devastating to the scientific community.

You asked me if I would be in New York September 18. Did you have something in mind?

I am 77 and do not travel so well. I have cut back on my plans to travel. I can consider coming to New York, September has anything to do specifically with the vagus nerve - and if it cannot be done with a conference call on Skype.

I will be able to stop in NYC on a future trip.

Linda Stone was the person who I met with years ago. It was Linda who suggested that I contact you.

best wishes,

Stanley

From: jeffrey E. <jeevacation@gmail.com>
Sent: Friday, August 25, 2017 3:22 AM
To: Stanley Rosenberg
Subject: Re: I look forward to hearing from you

http://www.huffingtonpost.com/entry/private-donor-helps-fund-scientists-after-trumps-proposed_us_599f532ae4b0d0ef9f1c129d

Private Donor Helps Fund Scientists After Trump's Proposed "Anti-Science" Budget Cuts

www.huffingtonpost.com

The famous American Astrophysicist, Neil deGrasse Tyson, once said, "The good thing about science is that it's true, whether or not you believe in ...

On Thu, Aug 24, 2017 at 10:11 AM, Stanley Rosenberg <[redacted]> wrote:

Dear Jeffrey,

can you please tell me about your interest in the vagus nerve? Why is the vagus nerve important to you?

Perhaps you can refer me to web site where I can learn more about your take on it.

best wishes,

Stanley

--

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From: Boris Nikolic [redacted]
Sent: 8/25/2017 11:27:40 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Re:

Importance: High

Great!

Can you get a bigger coverage (beside Huff post)??

Bill and others should join!

B

From: jeffrey E. <jeevacation@gmail.com>
Sent: Friday, August 25, 2017 6:47 AM
To: Boris Nikolic
Subject: Re:

http://www.huffingtonpost.com/entry/private-donor-helps-fund-scientists-after-trumps-proposed_us_599f532ae4b0d0ef9f1c129d

Private Donor Helps Fund Scientists After Trump's Proposed "Anti-Science" Budget Cuts

www.huffingtonpost.com

The famous American Astrophysicist, Neil deGrasse Tyson, once said, "The good thing about science is that it's true, whether or not you believe in ...

On Fri, Aug 25, 2017 at 6:46 AM, Boris Nikolic <[redacted]> wrote:

> Great. I am back from LA thursday
>
> Sent from my iPhone
>
> On Aug 25, 2017, at 00:57, jeffrey E. <jeevacation@gmail.com> wrote:

im back tues i thinkg

--

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From: [redacted]
Sent: 9/8/2017 7:09:23 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

things look very bad in the gulf .. my feeling trump do not want to end it

Sent from my iPhone

On Sep 8, 2017, at 2:28 AM, jeffrey E. <jeevacation@gmail.com> wrote:

your man did well . congragulations

--

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From: [redacted]
Sent: 9/21/2017 7:23:05 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

hey shiek .. i will be in new york saturday for a day trip .. i can drop by to say hello saturday night .. if you bussy dont worry, we can meet in kuwait in nov inshalla

Sent from my iPhone

On Sep 21, 2017, at 1:35 AM, jeffrey E. <jeevacation@gmail.com> wrote:

only you please

On Wed, Sep 20, 2017 at 6:26 PM, <[redacted]> wrote:

thnx jeff .. i m praying[redacted]

Sent from my iPhone

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Sent from my iPhone

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Im certain you understand - I'm sure you will have a great new year . No need to respond

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From: [redacted]
Sent: 9/21/2017 9:56:38 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

enjoy👈

Sent from my iPhone

On Sep 21, 2017, at 11:36 PM, jeffrey E. <jeevacation@gmail.com> wrote:

in florida ,

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From: [redacted]
Sent: 9/22/2017 2:43:24 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

very well .. safe travel

Sent from my iPhone

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From: [redacted]
Sent: 9/22/2017 3:15:47 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

that is nice of you .. you keep hosting us .. we need to see you in kuwait ..
will write more once i arrive and see my dear old man sunday

Sent from my iPhone

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From: [redacted]
Sent: 9/22/2017 3:40:36 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

for now .. i m leaving monday .. but all depends on my meeting with him. as far as i know, he will be there for another week but i will know more sunday. i will make sure to keep you updated👈

Sent from my iPhone

On Sep 22, 2017, at 6:27 PM, jeffrey E. <jeevacation@gmail.com> wrote:

how long will you stay in new york how long will the old man be there?

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Sent from my iPhone

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From: [redacted] [redacted]
Sent: 9/24/2017 1:38:25 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

i got to ny today .. i hope you are having good time, as for my boss he is leaving tuesday .. i m travelling back to europe tomorrow, if not, monday for sure. lets hope that we see you next in kuwait 👈

Sent from my iPhone

On Sep 22, 2017, at 6:27 PM, jeffrey E. <jeevacation@gmail.com> wrote:

how long will you stay in new york how long will the old man be there?

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From: [redacted]
Sent: 9/24/2017 8:20:39 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

i didnt understand what you mean? do you want me to stay? or you want to see my boss?

Sent from my iPhone

On Sep 24, 2017, at 8:35 AM, jeffrey E. <jeevacation@gmail.com> wrote:

If you think wise I could come to New York sunday evening and also leave tues

On Sat, Sep 23, 2017 at 9:38 PM <[redacted]> wrote:
i got to ny today .. i hope you are having good time, as for my boss he is leaving tuesday .. i m travelling back to europe tomorrow, if not, monday for sure. lets hope that we see you next in kuwait 👈

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Sent: 9/24/2017 10:31:28 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

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whenever you want .. november or before .. just send me an email and i will take care of your visit👈

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Sent: 9/24/2017 10:46:20 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

enjoy it sheik jeffrey👈 👈

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From: [redacted] [redacted]]
Sent: 9/26/2017 7:28:46 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

women to drive in saudi .. bold move👈

Sent from my iPhone

On Sep 24, 2017, at 1:48 PM, jeffrey E. <jeevacation@gmail.com> wrote:

get some rest. I need you healthy

On Sun, Sep 24, 2017 at 6:46 AM, <[redacted]> wrote:
enjoy it sheik jeffrey👈👈

Sent from my iPhone

On Sep 24, 2017, at 1:32 PM, jeffrey E. <jeevacation@gmail.com> wrote:

perfect . I ll be in paris oct 6

On Sun, Sep 24, 2017 at 6:31 AM, <[redacted]> wrote:
😂😂
i didnt get a good rest this month .. i think it is better to meet him in kuwait .. man do you love cuba that much😂
whenever you want .. november or before .. just send me an email and i will take care of your visit👈

Sent from my iPhone

On Sep 24, 2017, at 1:22 PM, jeffrey E. <jeevacation@gmail.com> wrote:

why are you up so early.? you need rest. - ! , I wanted you to know that If you think I should meet your boss in New York , where there is less pomp I can do so. / are you having fun?

On Sun, Sep 24, 2017 at 4:20 AM, <[redacted]> wrote:
i didnt understand what you mean? do you want me to stay? or you want to see my boss?

Sent from my iPhone

On Sep 24, 2017, at 8:35 AM, jeffrey E. <jeevacation@gmail.com> wrote:

If you think wise I could come to New York sunday evening and also leave tues

On Sat, Sep 23, 2017 at 9:38 PM <[redacted]> wrote:
i got to ny today .. i hope you are having good time, as for my boss he is leaving tuesday .. i m travelling back to europe tomorrow, if not, monday for sure. lets hope that we see you next in kuwait👈

Sent from my iPhone

On Sep 22, 2017, at 6:27 PM, jeffrey E. <jeevacation@gmail.com> wrote:

how long will you stay in new york how long will the old man be there?

On Fri, Sep 22, 2017 at 11:15 AM, <[redacted]> wrote:
that is nice of you .. you keep hosting us .. we need to see you in kuwait ..
will write more once i arrive and see my dear old man sunday

Sent from my iPhone

On Sep 22, 2017, at 2:38 PM, jeffrey E. <jeevacation@gmail.com> wrote:

i dont know your plans but of course you are always invited to visit. florida. if i am here

On Thu, Sep 21, 2017 at 10:43 PM, <[redacted]> wrote:
very well .. safe travel

Sent from my iPhone

On Sep 22, 2017, at 1:14 AM, jeffrey E. <jeevacation@gmail.com> wrote:

i will return to new york wednesday or tues day night . .

On Thu, Sep 21, 2017 at 5:56 PM, <[redacted]> wrote:
enjoy👍

Sent from my iPhone

On Sep 21, 2017, at 11:36 PM, jeffrey E. <jeevacation@gmail.com> wrote:

in florida ,

On Thu, Sep 21, 2017 at 3:23 PM, <[redacted]> wrote:
hey shiek .. i will be in new york saturday for a day trip .. i can drop by to say hello saturday night .. if you bussy dont worry, we can meet in kuwait in nov inshalla

Sent from my iPhone

On Sep 21, 2017, at 1:35 AM, jeffrey E. <jeevacation@gmail.com> wrote:

only you please

On Wed, Sep 20, 2017 at 6:26 PM, <[redacted]> wrote:
thnx jeff .. i m praying🙏🙏

Sent from my iPhone

On Sep 21, 2017, at 1:17 AM, jeffrey E. <jeevacation@gmail.com> wrote:

the book worked. :)

On Wed, Sep 20, 2017 at 5:57 PM, <[redacted]> wrote:
only for you .. trump is on the phone today .. it is possible any minute that all parties will be on one table in new york including my dear old man to put an end to this

Sent from my iPhone

On Sep 20, 2017, at 11:51 PM, jeffrey E. <jeevacation@gmail.com> wrote:

Im certain you understand - I'm sure you will have a great new year . No need to respond
--
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From: Barry J. Cohen [redacted]
Sent: 10/2/2017 8:23:25 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: RE: Plane management

Importance: High

Ah yes.

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, October 02, 2017 4:23 PM
To: Barry J. Cohen <[redacted]>
Subject: Re: Plane management

new depreciation rules proposed under trump

On Mon, Oct 2, 2017 at 4:13 PM, Barry J. Cohen <[redacted]> wrote:

> GV is in inspection and going well. Not sure what renovations you mean?
>
> On depreciation, we think we cannot use accelerated due to foreign travel preponderance, and obviously can't use bonus because not new. We think we are stuck with straight-line depreciation which will be passive.
>
> Are you saying that Jet vs. EJM could hinge on the type of plane usage? Not sure I follow that.
>
> **From:** jeffrey E. [mailto:jeevacation@gmail.com]
> **Sent:** Monday, October 02, 2017 3:42 PM
> **To:** Barry J. Cohen <[redacted]; Melanie Spinella <[redacted]
> **Subject:** Re: Plane management
>
> dont you want to see what the depreciation rules are. ? it depends on what you intend to do with it/ ? where do you stand with the renovations and the sale of the 5
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> On Mon, Oct 2, 2017 at 2:33 PM, Barry J. Cohen <[redacted] wrote:
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> > Thinking of switching from Jet Aviation to EJM. EJM is more expensive. Do you have a point of view?
> >
> > Sent from my iPhone

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From: Barry J. Cohen [redacted]
Sent: 10/2/2017 8:30:27 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: RE: Plane management

Importance: High

Adding Internet and possibly changing cushions. I recommended we do it with the 4 year inspection in the spring, but haven't heard back from him. I think I talked him out of automating the divans. I agreed with what you said about that.

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, October 02, 2017 4:29 PM
To: Barry J. Cohen <[redacted]
Subject: Re: Plane management

isnt he changing the cushions? etc and adding internet?

On Mon, Oct 2, 2017 at 4:23 PM, Barry J. Cohen <[redacted]> wrote:

> Ah yes.
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> **From:** jeffrey E. [mailto:jeevacation@gmail.com]
> **Sent:** Monday, October 02, 2017 4:23 PM
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> > **From:** jeffrey E. [mailto:jeevacation@gmail.com]
> > **Sent:** Monday, October 02, 2017 3:42 PM
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Sent from my iPhone

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From: Barry J. Cohen [redacted]
Sent: 10/2/2017 9:17:38 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: RE: Plane management

Importance: High

On our to-do list, but back of the envelope, we satisfied ourselves that after depreciation, we would show a profit. (In part because Apollo charter payments factor in depreciation.)

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, October 02, 2017 5:14 PM
To: Barry J. Cohen <[redacted]>
Subject: Re: Plane management

did anyone provide you with a biz plan that shows the proposal will generat a profit ?

On Mon, Oct 2, 2017 at 4:30 PM, Barry J. Cohen <[redacted]> wrote:

> Adding Internet and possibly changing cushions. I recommended we do it with the 4 year inspection in the spring, but haven't heard back from him. I think I talked him out of automating the divans. I agreed with what you said about that.
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Sent: Monday, October 02, 2017 3:42 PM
To: Barry J. Cohen <[redacted]>; Melanie Spinella <[redacted]>
Subject: Re: Plane management

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From: Barry J. Cohen [redacted]
Sent: 10/2/2017 9:21:33 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: RE: Plane management

Importance: High

It won't take long to do. We're just swamped. I'll get something to you when I can.

My biggest fear about taking this job is that there wouldn't be enough to do. You told me that concern was crazy. You were right.

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, October 02, 2017 5:20 PM
To: Barry J. Cohen <[redacted]>
Subject: Re: Plane management

can you share?

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Sent from my iPhone

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From: Peggy Siegal [redacted]]
Sent: 11/20/2017 8:09:46 PM
To: Steven Pfeiffer [redacted]; jeffrey E. [jeevacation@gmail.com]
Subject: RE: 2017 IFP Gotham Awards
Attachments: image001.png; image002.png; image003.png

Importance: High

Dear Steven,

See below:

Company Name: The Peggy Siegal Company
Contact Name: Peggy Siegal
Address: 750 Lexington Avenue 5th Floor New York, New York 10022.

Best,
Rebecca

From: Steven Pfeiffer [redacted]
Sent: Thursday, November 16, 2017 4:23 PM
To: jeffrey E.; Peggy Siegal
Subject: Re: 2017 IFP Gotham Awards

Sounds good, works for me.

So, Peggy, if you could just let me know what info to include on the donation letter and invoice, I'll send that along your way.

COMPANY NAME (if applicable):
CONTACT NAME:
ADDRESS LINE 1:
ADDRESS LINE 2:

Thanks,
Steven

Steven Pfeiffer
Associate Director, Development
Independent Filmmaker Project

Made in NY Media Center by IFP
30 John Street
Brooklyn, NY 11201
p: [redacted]
www.ifp.org

From: "jeffrey E." <jeevacation@gmail.com>
Date: Thursday, November 16, 2017 at 3:40 PM

To: Steven Pfeiffer [redacted], Peggy Siegal [redacted]
Subject: Re: 2017 IFP Gotham Awards

just send to peggy. you her co . its better for her

On Thu, Nov 16, 2017 at 3:38 PM, Steven Pfeiffer [redacted] wrote:

Hi Jeffrey –

Sounds good. Thanks so much for confirming. If you or someone in your office could provide the information below, I can send along an invoice and contribution letter for your $10K donation toward the chairs.

COMPANY NAME (if applicable):
CONTACT NAME:
ADDRESS LINE 1:
ADDRESS LINE 2:

Many thanks.

Best,
Steven

Steven Pfeiffer
Associate Director, Development
Independent Filmmaker Project

Made in NY Media Center by IFP
30 John Street
Brooklyn, NY 11201
p [redacted]
www.ifp.org

From: "jeffrey E." <jeevacation@gmail.com>
Date: Thursday, November 16, 2017 at 3:26 PM
To: Steven Pfeiffer <[redacted]>, Peggy Siegal <[redacted]>, Richard Kahn <[redacted]>
Subject: Re: 2017 IFP Gotham Awards

happy to buy your 10k of chairs and will need me plus 3 seats.

On Thu, Nov 16, 2017 at 1:36 PM, Steven Pfeiffer <[redacted]> wrote:

Hello Jeffrey –

I hope all is well with you. As per Peggy Siegal's office, I have included here the invitation to the IFP Gotham Awards ceremony, which will be held on Monday, November 27 at Cipriani Wall Street in New York City.

This year's ceremony is going to be another successful event. We couldn't be more thrilled with this year's impressive group of Tributees. The Actress Tribute will go to **Nicole Kidman** and the Actor Tribute to **Dustin Hoffman**. The Director Tribute will be given to **Sofia Coppola**, with the Cinematographer Tribute going to **Ed Lachman**. With the

Industry Tribute, we will be honoring **Jason Blum**, founder of Blumhouse Productions. And we simply couldn't be more pleased to honor Vice President **Al Gore** with this year's special Humanitarian Tribute. With nominees this year ranging from **Willem Dafoe, Adam Sandler** and **Robert Pattison** to **Margot Robbie, Lois Smith** and **Mary J. Blige**, this year's ceremony looks to be the most star studded ever.

Please let me know if you have any questions.

Best regards,
Steven

Steven Pfeiffer
Associate Director, Development
Independent Filmmaker Project

Made in NY Media Center by IFP
30 John Street
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p: [redacted]
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From: Larry Visoski [redacted]
Sent: 11/21/2017 12:23:47 AM
To: Je vacation [jeevacation@gmail.com]
Subject: TSA PBI

Importance: High

Jeffrey
While Trump is in PBI, TSA only allows arrival and departures between 8am and 5pm for General Aviation.
I made a resv for Nov 26th at 8am to St Thomas,,
Passengers: You and [redacted]
I can make passenger changes up to 24 Hours before Departure, they also request if we are traveling with an animal., FYI,
They also ask if Passengers are Male or Female, strange, they didn't ask names.

Thx
Larry

Sent from my iPhone

From: Lvjet [redacted]
Sent: 11/21/2017 1:37:36 AM
To: jeevacation@gmail.com
Subject: Re: TSA PBI

Importance: High

yes,,, that makes sense,
ok,., I'll re-positon to Boca on Saturday, ill make resv for departure for Dave and I,

thx
Larry

-----Original Message-----
From: jeffrey E. <jeevacation@gmail.com>
To: Larry Visoski [redacted]
Sent: Mon, Nov 20, 2017 8:29 pm
Subject: Re: TSA PBI

might make more sense to reposition on sat to boca?

On Mon, Nov 20, 2017 at 7:23 PM, Larry Visoski [redacted]> wrote:

Jeffrey
While Trump is in PBI, TSA only allows arrival and departures between 8am and 5pm for General Aviation.
I made a resv for Nov 26th at 8am to St Thomas,,
Passengers: You and [redacted]
I can make passenger changes up to 24 Hours before Departure, they also request if we are traveling with an animal.,
FYI,
They also ask if Passengers are Male or Female, strange, they didn't ask names.

Thx
Larry

Sent from my iPhone

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From: Faith Kates [redacted]
Sent: 11/23/2017 2:41:19 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

Have fun!!!

Sent from my iPhone

On Nov 23, 2017, at 8:36 AM, jeffrey E. <jeevacation@gmail.com> wrote:

david fizel. hanson. trump

On Thu, Nov 23, 2017 at 8:32 AM, Faith Kates <[redacted]> wrote:

He's such a snooze who else is down there?

Sent from my iPhone

On Nov 23, 2017, at 8:18 AM, jeffrey E. <jeevacation@gmail.com> wrote:

berries color for holiday

On Thu, Nov 23, 2017 at 8:16 AM, Faith Kates [redacted] wrote:

That means glenn check out his red hair!!!

Sent from my iPhone

On Nov 23, 2017, at 8:15 AM, jeffrey E. <jeevacation@gmail.com> wrote:

eva

On Thu, Nov 23, 2017 at 8:14 AM, Faith Kates [redacted] wrote:

Ok dylan will want to see you I always want to see you. Where are you having thanksgiving?

Sent from my iPhone

On Nov 23, 2017, at 8:12 AM, jeffrey E. <jeevacation@gmail.com> wrote:

all next week

On Thu, Nov 23, 2017 at 8:11 AM, Faith Kates [redacted] wrote:

Fun!!! When are you back in NYC?

Sent from my iPhone

On Nov 23, 2017, at 7:54 AM, jeffrey E. <jeevacation@gmail.com> wrote:

hope today is fun for you.

--

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From: [redacted]
Sent: 12/22/2017 12:23:04 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

very well .. keep us posted about your gcc trip👈

Sent from my iPhone

On Dec 22, 2017, at 3:04 PM, jeffrey E. <jeevacation@gmail.com> wrote:

great. have fun. . with the crazy tax bill, Ill stay in US until end of year.

On Fri, Dec 22, 2017 at 7:03 AM, <[redacted]> wrote:
i m ok .. still waiting for new york trip .. taking the family to dubai for new year👈

Sent from my iPhone

On Dec 22, 2017, at 2:43 PM, jeffrey E. <jeevacation@gmail.com> wrote:

what have you been doing? any fun?

On Fri, Dec 22, 2017 at 5:53 AM, <[redacted]> wrote:
i m trying to wear the sweater but it has been geeting a bit warm here😊
hope you doing well

Sent from my iPhone

On Dec 9, 2017, at 1:13 PM, jeffrey E. <jeevacation@gmail.com> wrote:

They told me to discuss in Jan

On Sat, Dec 9, 2017 at 8:00 AM <[redacted]> wrote:
i forget to ask .. is there any new update about the saudi project that i sent you??

Sent from my iPhone

On Dec 8, 2017, at 11:38 PM, jeffrey E. <jeevacation@gmail.com> wrote:

no come now !!!

On Fri, Dec 8, 2017 at 9:37 PM, <[redacted]> wrote:
i m at the door but i will wait for my time.. i dont want to come early to find trump in your house😊😊

Sent from my iPhone

On Dec 8, 2017, at 9:55 PM, jeffrey E. <jeevacation@gmail.com> wrote:

Yes

On Fri, Dec 8, 2017 at 2:10 PM <[redacted]> wrote:
sorry that is 2512 for the gate👆

Sent from my iPhone

On Dec 6, 2017, at 5:44 PM, jeffrey E. <jeevacation@gmail.com> wrote:

10pm should I bring special cake from New York

On Wed, Dec 6, 2017 at 9:37 AM <[redacted]n> wrote:
very well .. just send me the address again and the code to the door so i can get to the second floor? and send me the day and time.
thnx

Sent from my iPhone

On Dec 6, 2017, at 5:17 PM, jeffrey E. <jeevacation@gmail.com> wrote:

You are welcome at my house always . And more private

On Wed, Dec 6, 2017 at 9:12 AM jeffrey E. <jeevacation@gmail.com> wrote:
Of courses

On Wed, Dec 6, 2017 at 9:08 AM <[redacted]> wrote:
???

Sent from my iPhone

On Dec 5, 2017, at 2:34 PM, jeffrey E. <jeevacation@gmail.com> wrote:

at the moment i was flying to paris on the 8th. . I can leave eariler and get to paris by 830 . if you like to meet there. geneve difficult to fly out of at night . or lunch sat in paris. ,

On Tue, Dec 5, 2017 at 5:03 AM, <[redacted]> wrote:
can we have dinner in geneva on the 8th? i will be there on 7 and 8 dec and going back to kuwait on the 9th

Sent from my iPhone

On Dec 5, 2017, at 3:34 AM, jeffrey E. <jeevacation@gmail.com> wrote:

I am planning to be in paris starting the 9th for the week. any chance to see you

--
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From: Thomas Jr., Landon [[redacted]
Sent: 1/8/2018 3:04:23 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: You are in the book...

Importance: High

I read the first half of it last night -- there are a few paragraphs on you TB, DJT partying around NYC in 90s etc -- and then MW says you are airbrushed out of DJT history while Barrack sticks around.

--
Landon Thomas, Jr.
Financial Reporter
New York Times
[redacted]
http://topics.nytimes.com/top/reference/timestopics/people/t/landon_jr_thomas/index.html

From: Weingarten, Reid [redacted]
Sent: 1/12/2018 2:25:40 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: RE: Re:

Importance: High

Yeah sure...I am sure the republicans who sent a criminal referral for the brit spy who did the dossier will want to see trump lies

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Friday, January 12, 2018 9:23 AM
To: Weingarten, Reid
Subject: Re:

Senate subpoena?

On Fri, Jan 12, 2018 at 9:22 AM jeffrey E. <jeevacation@gmail.com> wrote:

> Sri Emanuel is going to go s tv series
>
> On Fri, Jan 12, 2018 at 9:18 AM jeffrey E. <jeevacation@gmail.com> wrote:
>
> > I think he is cracking
> >
> > On Fri, Jan 12, 2018 at 9:08 AM Weingarten, Reid ?[redacted] wrote:
> >
> > > Don't you dare say to anyone (or even think) "finally I agree with something he said".....
> > >
> > > **From:** jeffrey E. [mailto:jeevacation@gmail.com]
> > > **Sent:** Thursday, January 11, 2018 7:53 PM
> > > **To:** Weingarten, Reid
> > > **Subject:**
> > >
> > > https://www.thedailybeast.com/steve-bannon-lawyers-up-russia-investigators-ready-to-pounce
> > >
> > > --
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From: Diane Ziman [redacted]
on behalf of Diane Ziman [redacted]
Sent: 1/23/2018 9:59:38 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Fwd: Keep the March Alive!

Jeffrey --

Did you see my son's email on Sunday?

I was so proud to see him speak at the Women's March this weekend, joining thousands of passionate Floridians who want real change in our state, and across the country.

But we both know that change doesn't come easy. And there are a lot of folks in Tallahassee that want to keep things the same as usual.

We can't afford the status quo so they can have their way. We need leadership that will bring the change that so many have been marching for over the past year.

Can I count on you to help my son bring that change to Tallahassee?

Click here to join his campaign today, and help him do the right thing for our neighbors across the state.

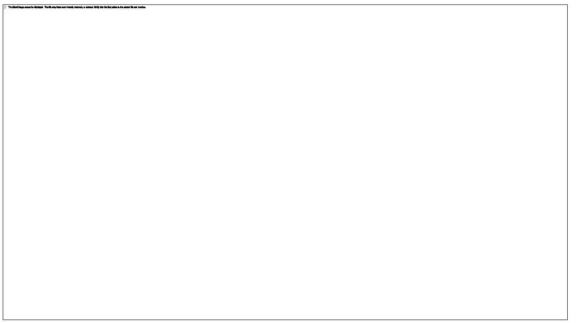
#ThatsMyBoy

- Diane

---------- Forwarded message ----------

I spent the day with thousands of fellow Floridians, celebrating the one year anniversary of the Women's March.

I was inspired by the crowds, their voice, and their passion.



Empowering women in the age of Trump is an essential part of moving this country forward. But that means moving forward on issues that have long been stalled -equal pay, better education, and a living wage.

In 2018, we have the chance to move these issues forward, and I'm asking for your help in making it happen.
Keep the March Alive! Chip in $5 Today.
If the crowds we saw in St. Petersburg, Miami, and dozens of other cities across this country are any indication, we have the momentum!

Now we need to bring it to Tallahassee.

Sincerely,
Philip

Paid by Philip Levine, Democrat, for Governor

Philip Levine for Governor
960 Alton Road
Miami Beach FL 33139 United States

We're so thankful of your support, and we hope you will take the next step by signing up to volunteer with our campaign. If you would like to be removed from our email list, please click the following link and we will remove you promptly: unsubscribe

THE WHITE HOUSE

WASHINGTON

February 2, 2018

The Honorable Devin Nunes
Chairman, House Permanent Select Committee on Intelligence
United States Capitol
Washington, DC 20515

Dear Mr. Chairman:

On January 29, 2018, the House Permanent Select Committee on Intelligence (hereinafter "the Committee") voted to disclose publicly a memorandum containing classified information provided to the Committee in connection with its oversight activities (the "Memorandum," which is attached to this letter). As provided by clause 11(g) of Rule X of the House of Representatives, the Committee has forwarded this Memorandum to the President based on its determination that the release of the Memorandum would serve the public interest.

The Constitution vests the President with the authority to protect national security secrets from disclosure. As the Supreme Court has recognized, it is the President's responsibility to classify, declassify, and control access to information bearing on our intelligence sources and methods and national defense. *See, e.g.*, *Dep't of Navy v. Egan*, 484 U.S. 518, 527 (1988). In order to facilitate appropriate congressional oversight, the Executive Branch may entrust classified information to the appropriate committees of Congress, as it has done in connection with the Committee's oversight activities here. The Executive Branch does so on the assumption that the Committee will responsibly protect such classified information, consistent with the laws of the United States.

The Committee has now determined that the release of the Memorandum would be appropriate. The Executive Branch, across Administrations of both parties, has worked to accommodate congressional requests to declassify specific materials in the public interest.[1] However, public release of classified information by unilateral action of the Legislative Branch is extremely rare and raises significant separation of powers concerns. Accordingly, the Committee's request to release the Memorandum is interpreted as a request for declassification pursuant to the President's authority.

The President understands that the protection of our national security represents his highest obligation. Accordingly, he has directed lawyers and national security staff to assess the

[1] *See, e.g.*, S. Rept. 114-8 at 12 (Administration of Barack Obama) ("On April 3, 2014 . . . the Committee agreed to send the revised Findings and Conclusions, and the updated Executive Summary of the Committee Study, to the President for declassification and public release."); H. Rept. 107-792 (Administration of George W. Bush) (similar); E.O. 12812 (Administration of George H.W. Bush) (noting Senate resolution requesting that President provide for declassification of certain information via Executive Order).

declassification request, consistent with established standards governing the handling of classified information, including those under Section 3.1(d) of Executive Order 13526. Those standards permit declassification when the public interest in disclosure outweighs any need to protect the information. The White House review process also included input from the Office of the Director of National Intelligence and the Department of Justice. Consistent with this review and these standards, the President has determined that declassification of the Memorandum is appropriate.

Based on this assessment and in light of the significant public interest in the memorandum, the President has authorized the declassification of the Memorandum. To be clear, the Memorandum reflects the judgments of its congressional authors. The President understands that oversight concerning matters related to the Memorandum may be continuing. Though the circumstances leading to the declassification through this process are extraordinary, the Executive Branch stands ready to work with Congress to accommodate oversight requests consistent with applicable standards and processes, including the need to protect intelligence sources and methods.

Sincerely,

Donald F. McGahn II
Counsel to the President

cc: The Honorable Paul Ryan
Speaker of the House of Representatives

The Honorable Adam Schiff
Ranking Member, House Permanent Select Committee on Intelligence

January 18, 2018

Declassified by order of the President
February 2, 2018

To: HPSCI Majority Members

From: HPSCI Majority Staff

Subject: Foreign Intelligence Surveillance Act Abuses at the Department of Justice and the Federal Bureau of Investigation

Purpose

This memorandum provides Members an update on significant facts relating to the Committee's ongoing investigation into the Department of Justice (DOJ) and Federal Bureau of Investigation (FBI) and their use of the Foreign Intelligence Surveillance Act (FISA) during the 2016 presidential election cycle. Our findings, which are detailed below, 1) raise concerns with the legitimacy and legality of certain DOJ and FBI interactions with the Foreign Intelligence Surveillance Court (FISC), and 2) represent a troubling breakdown of legal processes established to protect the American people from abuses related to the FISA process.

Investigation Update

On October 21, 2016, DOJ and FBI sought and received a FISA probable cause order (not under Title VII) authorizing electronic surveillance on Carter Page from the FISC. Page is a U.S. citizen who served as a volunteer advisor to the Trump presidential campaign. Consistent with requirements under FISA, the application had to be first certified by the Director or Deputy Director of the FBI. It then required the approval of the Attorney General, Deputy Attorney General (DAG), or the Senate-confirmed Assistant Attorney General for the National Security Division.

The FBI and DOJ obtained one initial FISA warrant targeting Carter Page and three FISA renewals from the FISC. As required by statute (50 U.S.C. §1805(d)(1)), a FISA order on an American citizen must be renewed by the FISC every 90 days and each renewal requires a separate finding of probable cause. Then-Director James Comey signed three FISA applications in question on behalf of the FBI, and Deputy Director Andrew McCabe signed one. Then-DAG Sally Yates, then-Acting DAG Dana Boente, and DAG Rod Rosenstein each signed one or more FISA applications on behalf of DOJ.

Due to the sensitive nature of foreign intelligence activity, FISA submissions (including renewals) before the FISC are classified. As such, the public's confidence in the integrity of the FISA process depends on the court's ability to hold the government to the highest standard—particularly as it relates to surveillance of American citizens. However, the FISC's rigor in protecting the rights of Americans, which is reinforced by 90-day renewals of surveillance orders, is necessarily dependent on the government's production to the court of all material and relevant facts. This should include information potentially favorable to the target of the FISA

application that is known by the government. In the case of Carter Page, the government had at least four independent opportunities before the FISC to accurately provide an accounting of the relevant facts. However, our findings indicate that, as described below, material and relevant information was omitted.

1) The "dossier" compiled by Christopher Steele (Steele dossier) on behalf of the Democratic National Committee (DNC) and the Hillary Clinton campaign formed an essential part of the Carter Page FISA application. Steele was a longtime FBI source who was paid over $160,000 by the DNC and Clinton campaign, via the law firm Perkins Coie and research firm Fusion GPS, to obtain derogatory information on Donald Trump's ties to Russia.

   a) Neither the initial application in October 2016, nor any of the renewals, disclose or reference the role of the DNC, Clinton campaign, or any party/campaign in funding Steele's efforts, even though the political origins of the Steele dossier were then known to senior DOJ and FBI officials.

   b) The initial FISA application notes Steele was working for a named U.S. person, but does not name Fusion GPS and principal Glenn Simpson, who was paid by a U.S. law firm (Perkins Coie) representing the DNC (even though it was known by DOJ at the time that political actors were involved with the Steele dossier). The application does not mention Steele was ultimately working on behalf of—and paid by—the DNC and Clinton campaign, or that the FBI had separately authorized payment to Steele for the same information.

2) The Carter Page FISA application also cited extensively a September 23, 2016, *Yahoo News* article by Michael Isikoff, which focuses on Page's July 2016 trip to Moscow. <u>This article does not corroborate the Steele dossier because it is derived from information leaked by Steele himself to *Yahoo News*.</u> The Page FISA application incorrectly assesses that Steele did not directly provide information to *Yahoo News*. Steele has admitted in British court filings that he met with *Yahoo News*—and several other outlets—in September 2016 at the direction of Fusion GPS. Perkins Coie was aware of Steele's initial media contacts because they hosted at least one meeting in Washington D.C. in 2016 with Steele and Fusion GPS where this matter was discussed.

   a) Steele was suspended and then terminated as an FBI source for what the FBI defines as the most serious of violations—an unauthorized disclosure to the media of his relationship with the FBI in an October 30, 2016, *Mother Jones* article by David Corn. Steele should have been terminated for his previous undisclosed contacts with Yahoo and other outlets **in September**—before the Page application was submitted to

the FISC in October—but Steele improperly concealed from and lied to the FBI about those contacts.

b) Steele's numerous encounters with the media violated the cardinal rule of source handling—maintaining confidentiality—and demonstrated that Steele had become a less than reliable source for the FBI.

3) Before and after Steele was terminated as a source, he maintained contact with DOJ via then-Associate Deputy Attorney General Bruce Ohr, a senior DOJ official who worked closely with Deputy Attorneys General Yates and later Rosenstein. Shortly after the election, the FBI began interviewing Ohr, documenting his communications with Steele. For example, in September 2016, Steele admitted to Ohr his feelings against then-candidate Trump when Steele said he "**was desperate that Donald Trump not get elected and was passionate about him not being president**." This clear evidence of Steele's bias was recorded by Ohr at the time and subsequently in official FBI files—but not reflected in any of the Page FISA applications.

a) During this same time period, Ohr's wife was employed by Fusion GPS to assist in the cultivation of opposition research on Trump. Ohr later provided the FBI with all of his wife's opposition research, paid for by the DNC and Clinton campaign via Fusion GPS. The Ohrs' relationship with Steele and Fusion GPS was inexplicably concealed from the FISC.

4) According to the head of the FBI's counterintelligence division, Assistant Director Bill Priestap, corroboration of the Steele dossier was in its "infancy" at the time of the initial Page FISA application. After Steele was terminated, a source validation report conducted by an independent unit within FBI assessed Steele's reporting as only minimally corroborated. Yet, in early January 2017, Director Comey briefed President-elect Trump on a summary of the Steele dossier, even though it was—according to his June 2017 testimony—"salacious and unverified." While the FISA application relied on Steele's past record of credible reporting on other unrelated matters, it ignored or concealed his anti-Trump financial and ideological motivations. Furthermore, Deputy Director McCabe testified before the Committee in December 2017 that no surveillance warrant would have been sought from the FISC without the Steele dossier information.

5) The Page FISA application also mentions information regarding fellow Trump campaign advisor George Papadopoulos, but there is no evidence of any cooperation or conspiracy between Page and Papadopoulos. The Papadopoulos information triggered the opening of an FBI counterintelligence investigation in late July 2016 by FBI agent Pete Strzok. Strzok was reassigned by the Special Counsel's Office to FBI Human Resources for improper text messages with his mistress, FBI Attorney Lisa Page (no known relation to Carter Page), where they both demonstrated a clear bias against Trump and in favor of Clinton, whom Strzok had also investigated. The Strzok/Lisa Page texts also reflect extensive discussions about the investigation, orchestrating leaks to the media, and include a meeting with Deputy Director McCabe to discuss an "insurance" policy against President Trump's election.

From: Steve Bannon[redacted]
Sent: 2/24/2018 12:48:36 PM
To: jeevacation@gmail.com
Subject: Lawyer for Susan Rice: Obama administration 'justifiably concerned' about sharing intel with Trump team - POLITICO

Importance: High

https://www.politico.com/story/2018/02/23/susan-rice-lawyer-obama-administration-classified-intelligence-michael-flynn-trump-423437

From: Steve Bannon[redacted]
Sent: 2/24/2018 1:14:53 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Re: Lawyer for Susan Rice: Obama administration 'justifiably concerned' about sharing intel with Trump team - POLITICO

Importance: High

On it
Sent via BlackBerry by AT&T

From: "jeffrey E." <jeevacation@gmail.com>
Date: Sat, 24 Feb 2018 08:13:08 -0500
To: Steve Bannon<[redacted]>
Subject: Re: Lawyer for Susan Rice: Obama administration 'justifiably concerned' about sharing intel with Trump team - POLITICO

coin issues. : receive coins. distribute coins, pay in coins. coin cooperative. prohibitions foreign donor.? i need to understand flow of funds. . donor to campiagn c?s . does it have to go to campaign first. . does it have to go there at all etc.

On Sat, Feb 24, 2018 at 7:48 AM, Steve Bannon [redacted] wrote:

> https://www.politico.com/story/2018/02/23/susan-rice-lawyer-obama-administration-classified-intelligence-michael-flynn-trump-423437

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From: Steve Bannon [redacted]
Sent: 2/24/2018 1:21:54 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Re: Lawyer for Susan Rice: Obama administration 'justifiably concerned' about sharing intel with Trump team - POLITICO

Importance: High

Populist/Nationalist first

Conservative Christians (catholic/evangelical) next

Reverse alabama

This coalition staves off "times up" for next decade plus
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From: Steve Bannon[redacted]
Sent: 2/24/2018 1:23:41 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Re: Lawyer for Susan Rice: Obama administration 'justifiably concerned' about sharing intel with Trump team - POLITICO

Importance: High

I think I have the most solid guy on the right--tied into the 'swiss' guys

Named jeffrey wernick--going thru due diligence now ---ive known him a while as I've studied this--he can walk u thru the deal
Sent via BlackBerry by AT&T

From: "jeffrey E." <jeevacation@gmail.com>
Date: Sat, 24 Feb 2018 08:20:46 -0500
To: Steve Bannon<[redacted]>
Subject: Re: Lawyer for Susan Rice: Obama administration 'justifiably concerned' about sharing intel with Trump team - POLITICO

do you have coin guys. brocks people . or should we find? some of the lefty crpto guys , might find it difficult to join, but they said bringing tech to discourse is on a higher plane

On Sat, Feb 24, 2018 at 8:14 AM, Steve Bannon <[redacted]> wrote:

On it
Sent via BlackBerry by AT&T

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From: Steve Bannon [redacted]
Sent: 2/24/2018 1:26:54 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Re: Lawyer for Susan Rice: Obama administration 'justifiably concerned' about sharing intel with Trump team - POLITICO

Importance: High

Yes...I've got the 2nd best--best is don mcgahn who is occupied currently
Sent via BlackBerry by AT&T

From: "jeffrey E." <jeevacation@gmail.com>
Date: Sat, 24 Feb 2018 08:24:39 -0500
To: Steve Bannon[redacted]
Subject: Re: Lawyer for Susan Rice: Obama administration 'justifiably concerned' about sharing intel with Trump team - POLITICO

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Populist/Nationalist first

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From: Steve Bannon [redacted]
Sent: 2/24/2018 1:32:39 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Re: Lawyer for Susan Rice: Obama administration 'justifiably concerned' about sharing intel with Trump team - POLITICO

Importance: High

Cool
Sent via BlackBerry by AT&T

From: "jeffrey E." <jeevacation@gmail.com>
Date: Sat, 24 Feb 2018 08:31:40 -0500
To: Steve Bannon[redacted]
Subject: Re: Lawyer for Susan Rice: Obama administration 'justifiably concerned' about sharing intel with Trump team - POLITICO

BTW spent some time on the phone with Jide. hes looking to be read into Saudi. . too early

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Sent via BlackBerry by AT&T

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From: Sultan Bin Sulayem [redacted]
Sent: 2/25/2018 11:42:49 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

Trump doesn't like him

Sent from my iPhone

On Feb 25, 2018, at 3:36 PM, jeffrey E. <jeevacation@gmail.com> wrote:

Yes We have become friends you will like him

On Sun, Feb 25, 2018 at 6:36 AM Sultan Bin Sulayem <[redacted]> wrote:

Is that Steve Bannon?

Sent from my iPhone

> On Feb 23, 2018, at 9:14 AM, Jeffrey Epstein <jeevacation@gmail.com> wrote:
>
> <IMG-7184.jpg>

--

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From: Sultan Bin Sulayem [redacted]
Sent: 2/25/2018 1:25:58 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

Ok

Sent from my iPhone

On Feb 25, 2018, at 4:04 PM, jeffrey E. <jeevacation@gmail.com> wrote:

dont belive thepress

On Sun, Feb 25, 2018 at 6:42 AM, Sultan Bin Sulayem <[redacted]> wrote:

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From: Kathy Ruemmler [redacted]
Sent: 2/25/2018 9:28:23 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

While he might like to, his lawyer would advise him against it. :-)

Are you feeling better today?

On Feb 25, 2018, at 4:17 PM, jeffrey E. <jeevacation@gmail.com> wrote:

Steve Bannon Feb 24 (1 day ago)

to me

https://www.politico.com/story/2018/02/23/susan-rice-lawyer-obama-administration-classified-intelligence-michael-flynn-trump-423437

do you think Bill Clinton would like to join you me ehud and steve.? could be very funny, all off the record.

--

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From: Kathy Ruemmler [redacted]
Sent: 2/25/2018 10:05:36 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

:-)

On Feb 25, 2018, at 4:30 PM, jeffrey E. <jeevacation@gmail.com> wrote:

but maybe with the right amount of shoes his lawyer might change her mind :)

On Sun, Feb 25, 2018 at 4:28 PM, Kathy Ruemmler <[redacted]> wrote:

While he might like to, his lawyer would advise him against it. :-)

Are you feeling better today?

On Feb 25, 2018, at 4:17 PM, jeffrey E. <jeevacation@gmail.com> wrote:

Steve Bannon Feb 24 (1 day ago)

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From: Michael Wolff [redacted]
Sent: 3/23/2018 1:57:50 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: SB

Importance: High

I think his FT performance yesterday was quite a hit (btw, he reiterated that my book was all true--helpful!). Curiously, the liberals maybe more fascinated by him than the Trump base is.

On Fri, Mar 23, 2018 at 9:51 AM, jeffrey E. <jeevacation@gmail.com> wrote:

> i passsed on your newsweek message yesterday. i think he is a bit lost no wins and donald off the rails
>
> On Fri, Mar 23, 2018 at 9:01 AM, Michael Wolff <[redacted]> wrote:
>
> > I reached out and I'm seeing him at 6:00 today.

--

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From: Steve Bannon [redacted]
Sent: 6/23/2018 12:44:08 PM
To: jeevacation@gmail.com
Subject: Fwd: Re:
Attachments: image001.png; image002.png; image003.png; image004.png

Importance: High

Big deal

Begin forwarded message:

Resent-From: [redacted]
From: "Rivkin, David" [redacted]
Date: June 23, 2018 at 8:14:49 AM EDT
To: Steve Bannon [redacted]
Subject: Fwd: Re:

Here it is.

Sent from my iPhone

Begin forwarded message:

From: "Grossman, Andrew M" [redacted]
Date: June 23, 2018 at 12:56:55 AM EDT
To: "Rivkin, David" [redacted]
Subject: Re:

Mueller's Fruit of the Poisonous Tree

It makes no difference how honorable he is. His investigation is tainted by the bias that attended its origin in 2016.

By
David B. Rivkin Jr. and

Elizabeth Price Foley
June 22, 2018 6:38 p.m. ET
414 COMMENTS

Special counsel Robert Mueller's investigation may face a serious legal obstacle: It is tainted by antecedent political bias. The June 14 report from Michael Horowitz, the Justice Department's inspector general, unearthed a pattern of anti-Trump bias by high-ranking officials at the Federal Bureau of Investigation. Some of their communications, the report says, were "not only indicative of a biased state of mind but imply a willingness to take action to impact a presidential candidate's electoral prospects." Although Mr. Horowitz could not definitively ascertain whether this bias "directly

affected" specific FBI actions in the Hillary Clinton email investigation, it nonetheless affects the legality of the Trump-Russia collusion inquiry, code-named Crossfire Hurricane.

Crossfire was launched only months before the 2016 election. Its FBI progenitors—the same ones who had investigated Mrs. Clinton—deployed at least one informant to probe Trump campaign advisers, obtained Foreign Intelligence Surveillance Court wiretap warrants, issued national security letters to gather records, and unmasked the identities of campaign officials who were surveilled. They also repeatedly leaked investigative information.

Mr. Horowitz is separately scrutinizing Crossfire and isn't expected to finish for months. But the current report reveals that FBI officials displayed not merely an appearance of bias against Donald Trump, but animus bordering on hatred. Peter Strzok, who led both the Clinton and Trump investigations, confidently assuaged a colleague's fear that Mr. Trump would become president: "No he won't. We'll stop it." An unnamed FBI lawyer assigned to Crossfire told a colleague he was "devastated" and "numb" after Mr. Trump won, while declaring to another FBI attorney: "Viva le resistance."

The report highlights the FBI's failure to act promptly upon discovering that Anthony Weiner's laptop contained thousands of Mrs. Clinton's emails. Investigators justified the delay by citing the "higher priority" of Crossfire. But Mr. Horowitz writes: "We did not have confidence that Strzok's decision to prioritize the Russia investigation over following up on [the] investigative lead discovered on the Weiner laptop was free from bias."

Similarly, although Mr. Horowitz found no evidence that then-FBI Director James Comey was trying to influence the election, Mr. Comey did make decisions based on political considerations. He told the inspector general that his election-eve decision to reopen the Clinton email investigation was motivated by a desire to protect her assumed presidency's legitimacy.

The inspector general wrote that Mr. Strzok's text messages "created the appearance that investigative decisions were impacted by bias or improper considerations." The report adds, importantly, that "most of the text messages raising such questions pertained to the Russia investigation." Given how biases ineluctably shape behavior, these facts create a strong inference that by squelching the Clinton investigation and building a narrative of Trump-Russia collusion, a group of government officials sought to bolster Mrs. Clinton's electoral chances and, if the unthinkable happened, obtain an insurance policy to cripple the Trump administration with accusations of illegitimacy.

What does this have to do with Mr. Mueller, who was appointed in May 2017 after President Trump fired Mr. Comey? The inspector general concludes that the pervasive bias "cast a cloud over the FBI investigations to which these employees were assigned," including Crossfire. And if Crossfire was politically motivated, then its culmination, the appointment of a special counsel, inherited the taint. All special-counsel activities—investigations, plea deals, subpoenas, reports, indictments and convictions—are fruit of a poisonous tree, byproducts of a violation of due process. That Mr. Mueller and his staff had nothing to do with Crossfire's origin offers no cure.

When the government deprives a person of life, liberty or property, it is required to use fundamentally fair processes. The Supreme Court has made clear that when governmental action "shocks the conscience," it violates due process. Such conduct includes investigative or prosecutorial efforts that appear, under the totality of the circumstances, to be motivated by corruption, bias or entrapment.

In *U.S. v. Russell* (1973), the justices observed: "We may someday be presented with a situation in which the conduct of law enforcement agents is so outrageous that due process principles would absolutely bar the government from invoking judicial processes to obtain a conviction." It didn't take long. In *Blackledge v. Perry* (1974), the court concluded that due process was offended by a prosecutor's "realistic likelihood of 'vindictiveness' " that tainted the "very initiation of proceedings."
In *Young v. U.S. ex rel. Vuitton* (1987), the justices held that because prosecutors have "power to employ the full machinery of the state in scrutinizing any given individual . . . we must have assurance that those who would wield this power will be guided solely by their sense of public responsibility for the attainment of justice." Prosecutors must be "disinterested" and make "dispassionate assessments," free from any personal bias.
In *Williams v. Pennsylvania* (2016), the court held that a state judge's potential bias violated due process because he had played a role, a quarter-century earlier, in prosecuting the death-row inmate whose habeas corpus petition he was hearing. The passage of time and involvement of others do not vitiate the taint but heighten "the need for objective rules preventing the operation of bias that might otherwise be obscured," the justices wrote. A single biased individual "might still have an influence that, while not so visible . . . is nevertheless significant."
In addition to the numerous anti-Trump messages uncovered by the inspector general, there is a strong circumstantial case—including personnel, timing, methods and the absence of evidence—that Crossfire was initiated for political, not national-security, purposes.

It was initiated in defiance of a longstanding Justice Department presumption against investigating campaigns in an election year. And while impartiality is always required, a 2012 memo by then-Attorney General Eric Holder emphasizes that impartiality is "particularly important in an election

year," and "politics must play no role in the decisions of federal prosecutors or investigators regarding any investigations. . . . Law enforcement officers and prosecutors may never select the timing of investigative steps or criminal charges for the purpose of affecting any election, or for the purpose of giving an advantage or disadvantage to any candidate or political party."

Strong evidence of a crime can overcome this policy, as was the case with the bureau's investigation of Mrs. Clinton's private email server, which began more than a year before the 2016 election. But Crossfire was not a criminal investigation. It was a counterintelligence investigation predicated on the notion that Russia could be colluding with the Trump campaign. There appears to have been no discernible evidence of Trump-Russia collusion at the time Crossfire was launched, further reinforcing the notion that it was initiated "for the purpose" of affecting the presidential election.

The chief evidence of collusion is the hacking of the Democratic National Committee's servers. But nothing in the public record suggests the Trump campaign aided that effort. The collusion narrative therefore hinges on the more generic assertion that Russia aimed to help Mr. Trump's election, and that the Trump campaign reciprocated by embracing pro-Russian policies. Yet despite massive surveillance and investigation, there's still no public evidence of any such exchange—only that Russia attempted to sow political discord by undermining Mrs. Clinton and to a lesser extent Mr. Trump.

Some members of the Trump team interacted with Russians and advocated dovish policies. But so did numerous American political and academic elites, including many Clinton advisers. Presidential campaigns routinely seek opposition research and interact with foreign powers. The Clinton campaign funded the Steele dossier, whose British author paid Russians to dish anti-Trump dirt. The Podesta Group, led by the brother of Mrs. Clinton's campaign chairman, received millions lobbying for Russia's largest bank and the European Center for a Modern Ukraine, both with deep Kremlin ties. The Clinton Foundation and Bill Clinton took millions from Kremlin-connected businesses.

No evidence has emerged of Trump-Russia collusion, and Mr. Mueller has yet to bring collusion-related charges against anyone. Evidence suggests one of his targets, George Papadopoulos, was lured to London, plied with the prospect of Russian information damaging to Mrs. Clinton, and taken to dinner, where he drunkenly bragged that he'd heard about such dirt but never seen it. These circumstances not only fail to suggest Mr. Papadopoulos committed a crime, they reek of entrapment. The source of this information, former Australian diplomat Alexander Downer, admits Mr. Papadopolous never mentioned emails, destroying any reasonable inference of a connection between the DNC hack and the Trump campaign.

Crossfire's progenitors thus ignored an obvious question: If Russia promised unspecified dirt on Mrs. Clinton but never delivered it, how would that amount to collusion with the Trump campaign? If anything, such behavior suggests an attempt to entice and potentially embarrass Mr. Trump by dangling the prospect of compromising information and getting his aides to jump at it.

Given the paucity of evidence, it's staggering that the FBI would initiate a counterintelligence investigation, led by politically biased staff, amid a presidential campaign. The aggressive methods and subsequent leaking only strengthen that conclusion. If the FBI sincerely believed Trump associates were Russian targets or agents, the proper response would have been to inform Mr. Trump so that he could protect his campaign and the country.

Mr. Trump's critics argue that the claim of political bias is belied by the fact that Crossfire was not leaked before the election. In fact, there were vigorous, successful pre-election efforts to publicize the Trump-Russia collusion narrative. Shortly after Crossfire's launch, CIA Director John Brennan and Mr. Comey briefed Congress, triggering predictable leaking. Christopher Steele and his patrons embarked on a media roadshow, making their dossier something of an open secret in Washington.

On Aug. 29, 2016, the New York Times published a letter to Mr. Comey from Senate Minority Leader Harry Reid, saying he'd learned of "evidence of a direct connection between the Russian government and Donald Trump's presidential campaign," which had "employed a number of individuals with significant and disturbing ties to Russia and the Kremlin." On Aug. 30, the ranking Democratic members of four House committees wrote a public letter to Mr. Comey requesting "that the FBI assess whether connections between Trump campaign officials and Russian interests" may have contributed to the DNC hack so as "to interfere with the U.S. presidential election." On Sept. 23, Yahoo News's Michael Isikoff reported the Hill briefings and the Steele dossier's allegations regarding Carter Page. On Oct. 30, Harry Reid again publicly wrote Mr. Comey: "In my communications with you and other top officials in the national security community, it has become clear that you possess explosive information about close ties and coordination between Donald Trump, his top advisors, and the Russian government."

That these leaking efforts failed to prevent Mr. Trump's victory, or that Mr. Comey's ham-fisted interventions might have also hurt Mrs. Clinton's electoral prospects, does not diminish the legal significance of the anti-Trump bias shown by government officials.

The totality of the circumstances creates the appearance that Crossfire was politically motivated. Since an attempt by federal law enforcement to influence a presidential election "shocks the conscience," any prosecutorial effort derived from such an outrageous abuse of power must be suppressed. The public

will learn more once the inspector general finishes his investigation into Crossfire's genesis. But given what is now known, due process demands, at a minimum, that the special counsel's activity be paused. Those affected by Mr. Mueller's investigation could litigate such an argument in court. One would hope, however, that given the facts either Mr. Mueller himself or Deputy Attorney General Rod Rosenstein would do it first.

Mr. Rivkin and Ms. Foley practice appellate and constitutional law in Washington. He served at the Justice Department and the White House Counsel's Office during the Reagan and George H.W. Bush administrations. She is a professor at Florida International University College of Law.

Appeared in the June 23, 2018, print edition.

Best,

Andrew

Andrew Grossman
Partner

BakerHostetler
Washington Square
1050 Connecticut Ave, N.W. | Suite 1100
Washington, DC 20036-5304
T [redacted]
bakerlaw.com

From: "Rivkin, David" [redacted]
Date: Friday, June 22, 2018 at 7:50 PM
To: "Grossman, Andrew M" [redacted]
Subject: <no subject>

Can you please send me WSJ op Ed. Tx
Sent from my iPhone

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From: Kathy Ruemmler [redacted]
Sent: 6/23/2018 5:11:45 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Fwd: Re:

Importance: High

Yawn. And David Rivkin is a hack. Zero — and I mean zero — chance that a court would find a due process violation on these facts. Fruit of the poisonous tree doctrine does not apply.

On Jun 23, 2018, at 12:01 PM, jeffrey E. <jeevacation@gmail.com> wrote:

i htink weak thoughts?
---------- Forwarded message ----------
From: **Steve Bannon** <[redacted]>
Date: Sat, Jun 23, 2018 at 2:44 PM
Subject: Fwd: Re:
To: "jeevacation@gmail.com" <jeevacation@gmail.com>

Big deal

Begin forwarded message:

Resent-From: <[redacted]>
From: "Rivkin, David" [redacted]>
Date: June 23, 2018 at 8:14:49 AM EDT
To: Steve Bannon <[redacted]>
Subject: Fwd: Re:

Here it is.

Sent from my iPhone

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Subject: Re:

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By

David B. Rivkin Jr. and

Elizabeth Price Foley

June 22, 2018 6:38 p.m. ET

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Mr. Rivkin and Ms. Foley practice appellate and constitutional law in Washington. He served at the Justice Department and the White House Counsel's Office during the Reagan and George H.W. Bush administrations. She is a professor at Florida International University College of Law.

Appeared in the June 23, 2018, print edition.

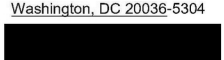
Best,

Andrew

Andrew Grossman
Partner

<image001.png>

Washington Square
1050 Connecticut Ave, N.W. | Suite 1100
Washington, DC 20036-5304



bakerlaw.com
<image002.png> <image003.png> <image004.png>

From: "Rivkin, David" <[redacted]>
Date: Friday, June 22, 2018 at 7:50 PM
To: "Grossman, Andrew M" <[redacted]>
Subject: <no subject>

Can you please send me WSJ op Ed. Tx

Sent from my iPhone

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From: [redacted]
Sent: 7/4/2018 1:23:17 PM
To: jeevacation@gmail.com
Subject: Re: Hello

Importance: High

By the way, your friend dershowitz is in hog heaven. He gets on every talk show on this issue, then he writes a piece about his friends now hate him, and today the Times has a piece about him writing a piece about how his friends hate him. He might just be the Kim Kardashian of the legal scene.

On Wednesday, July 4, 2018 jeffrey E. <jeevacation@gmail.com> wrote:

we're on the same team. strzok. testimony was that discussions with lovers , often include embellishments. and not indicative of non professionalism. I believe he said nothing more than it referenced " andys office". . paige says andy was there. how many other people were there ? were strzok and paige. off in the corner talking to each other . was mccabe on the phone? you know that taking emails alone is not meaningful. . isnt it a but much to say that prosecutors that have strong opinions . should be looked out with skepticism? who doesnt have bias. . strzok had many neg hillary opinions . . - michael cohen. michael flynn. . are not fictions created by mueller ? how are you ?

On Wed, Jul 4, 2018 at 8:31 AM, [redacted] wrote:

Gotti was an anomaly because of his personality (some agents loved him and some hated him); but I get your point. Couple of things:

1. This the investigation of the President. It is only as good as public confidence in it can be (subtracting the conspiracy theorists on both sides). We just can't have someone with this kind of political bias as a lead investigator. But more importantly, he was not alone. He was just stupid enough to show it in office emails. We don't yet know what his private emails showed. Strzok, however, says that he met with McCabe - the number 2 guy in the FBI - and in his office discussed how best to stop Trump from becoming President. That just cannot be tolerated. Plus, if I find any evidence of personal or other extraneous animus in any case by any agent or prosecutor, I view it as an open invitation for cross examination and any other exploitation possible as it cannot be an accepted part of the process.

2. In this whole matter, I am most disturbed by the composition of the Mueller team and it seems to me that if we are to learn anything from the IG's report it is the importance of having an investigation conducted above-board without personal and political baggage. Mueller had a whole universe of lawyers from around the country to choose from to make up his team. He purposefully chose a murderer's row of the worst. I can go one by one; but I will spare you. Here are a couple of examples:

A. Andrew Weissmann was known in the EDNY as "The Pathological Liar" after the SNL character. He literally would withhold exculpatory evidence throughout the case and then one day when defense counsel went to the bathroom or lunch, stick the documents under others on his table and tell the judge the lawyer had it all along. I have been brought into a case in which he lied from start to finish - and now his rats have come to me to admit their role in it - to get murder convictions in two cases. He has been cited by judges for his misconduct and he runined both Arthur Anderson and Enron through his work, all of which was rejected by the higher courts. He also is a Trump hater and Clinton sycophant. Mueller knows Weissmann's conduct up close and personal. He chose Weissmann for his chief counsel at the FBI years ago.

B. Jeannie Rhee, hand-picked by Mueller from Mueller's own firm, was actually Clinton's lawyer in the email investigation. Now how does that look. She also is a bully and thinks she is a real tough guy and I don't want that kind of character around. I also have an ineffective assistance of counsel case against her for a client in a $100 million earnings management fraud case in which she was way over her head.

C. Greg Andres was another bully who replaced Weissmann in the EDNY. He withheld evidence terribly in his cases, regularly threatened others, and accused a defendant of putting out a contract on him when he knew it was a completely bogus claim, but gave him the publicity he craved. He is 100% in the pro-Clinton, anti-Trump camp. President Obama gave his wife a federal judgeship on the SDNY

and on and on.

I don't personally believe Russia affected the election at all; but I certainly am not qualified to say. I do know that we have meddled in other countries' elections as a matter of policy forever. But the bottom line is, if there is to be an investigation, just play it straight up. I am friends for a long time with the IG. If they had picked him to head up the team, I would not be a weekly guest on Hannity tv and radio (I never would have been asked), as I know he would pick a team of honest folks from across the spectrum.

-----Original Message-----
From: jeffrey E. <jeevacation@gmail.com>
To: David Schoen [redacted]
Sent: Wed, Jul 4, 2018 8:10 am
Subject: Re: Hello

is it overblown. ? all mob prosecutors have strong feelings towards their targets. I recall many that told stories of how they despised gotti etc. why is stryok different ?

On Wed, Jul 4, 2018 at 7:51 AM, [redacted] wrote:

> I am obsessed with prosecutorial and FBI misconduct wherever it rears it ugly head and i am committed to doing what i can to fight it whether for my death penalty clients or a klansman. Lots of wrongdoing here and we all lose when the system breaks down.
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> I assume you were just flipping the channels.
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On Wednesday, July 4, 2018 jeffrey E. <jeevacation@gmail.com> wrote:

judge jeannie?

On Mon, Apr 16, 2018 at 9:54 PM, [redacted] wrote:

> Just checking in to see how you are getting along these days. I hope all the litigation is well behind you and things are going well
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From: [redacted]
Sent: 7/4/2018 1:40:23 PM
To: jeevacation@gmail.com
Subject: Re: Hello

Importance: High

One guy in the Times article on him got it about right i think.

Apart from the publicity hound bit, i think of him as a guy who cut and run in your case and looked out for himself. He never hesitates to respond to me by email; but when i read about something that came up in his deposition that i thought might help you and emailed him for a copy - radio silence.

I guess these days he likes to make himself relevant. Oh well, we all have our strengths and weaknesses i am sure and i have many more of the latter.

On Wednesday, July 4, 2018 jeffrey E. <jeevacation@gmail.com> wrote:

nicely put. !. sounds like you suffer a similar bias. :)

On Wed, Jul 4, 2018 at 9:23 AM, <[redacted] wrote:

By the way, your friend dershowitz is in hog heaven. He gets on every talk show on this issue, then he writes a piece about his friends now hate him, and today the Times has a piece about him writing a piece about how his friends hate him. He might just be the Kim Kardashian of the legal scene.

On Wednesday, July 4, 2018 jeffrey E. <jeevacation@gmail.com> wrote:

we're on the same team. strzok. testimony was that discussions with lovers , often include embellishments. and not indicative of non professionalism. I believe he said nothing more than it referenced " andys office". . paige says andy was there. how many other people were there ? were strzok and paige. off in the corner talking to each other . was mccabe on the phone? you know that taking emails alone is not meaningful. . isnt it a but much to say that prosecutors that have strong opinions . should be looked out with skepticism? who doesnt have bias. . strzok had many neg hillary opinions . . - michael cohen. michael flynn. . are not fictions created by mueller ? how are you ?

On Wed, Jul 4, 2018 at 8:31 AM, <[redacted] wrote:

Gotti was an anomaly because of his personality (some agents loved him and some hated him); but I get your point. Couple of things:

1. This the investigation of the President. It is only as good as public confidence in it can be (subtracting the conspiracy theorists on both sides). We just can't have someone with this kind of political bias as a lead investigator. But more importantly, he was not alone. He was just stupid enough to show it in office emails. We don't yet know what his private emails showed. Strzok, however, says that he met with McCabe - the number 2 guy in the FBI - and in his office discussed how best to stop Trump from becoming President. That just cannot be tolerated. Plus, if I find any evidence of personal or other extraneous animus in any case by any agent or prosecutor, I view it as an

open invitation for cross examination and any other exploitation possible as it cannot be an accepted part of the process.

2. In this whole matter, I am most disturbed by the composition of the Mueller team and it seems to me that if we are to learn anything from the IG's report it is the importance of having an investigation conducted above-board without personal and political baggage. Mueller had a whole universe of lawyers from around the country to choose from to make up his team. He purposefully chose a murderer's row of the worst. I can go one by one; but I will spare you. Here are a couple of examples:

A. Andrew Weissmann was known in the EDNY as "The Pathological Liar" after the SNL character. He literally would withhold exculpatory evidence throughout the case and then one day when defense counsel went to the bathroom or lunch, stick the documents under others on his table and tell the judge the lawyer had it all along. I have been brought into a case in which he lied from start to finish - and now his rats have come to me to admit their role in it - to get murder convictions in two cases. He has been cited by judges for his misconduct and he runined both Arthur Anderson and Enron through his work, all of which was rejected by the higher courts. He also is a Trump hater and Clinton sycophant. Mueller knows Weissmann's conduct up close and personal. He chose Weissmann for his chief counsel at the FBI years ago.

B. Jeannie Rhee, hand-picked by Mueller from Mueller's own firm, was actually Clinton's lawyer in the email investigation. Now how does that look. She also is a bully and thinks she is a real tough guy and I don't want that kind of character around. I also have an ineffective assistance of counsel case against her for a client in a $100 million earnings management fraud case in which she was way over her head.

C. Greg Andres was another bully who replaced Weissmann in the EDNY. He withheld evidence terribly in his cases, regularly threatened others, and accused a defendant of putting out a contract on him when he knew it was a completely bogus claim, but gave him the publicity he craved. He is 100% in the pro-Clinton, anti-Trump camp. President Obama gave his wife a federal judgeship on the SDNY

and on and on.

I don't personally believe Russia affected the election at all; but I certainly am not qualified to say. I do know that we have meddled in other countries' elections as a matter of policy forever. But the bottom line is, if there is to be an investigation, just play it straight up. I am friends for a long time with the IG. If they had picked him to head up the team, I would not be a weekly guest on Hannity tv and radio (I never would have been asked), as I know he would pick a team of honest folks from across the spectrum.

-----Original Message-----
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Sent: Wed, Jul 4, 2018 8:10 am
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From: [redacted]
Sent: 7/29/2018 5:34:28 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

i was told that GCC leaders will meet Trump on or around sep 5 .. i hope this dispute comes to an end

Sent from my iPhone

On Jul 24, 2018, at 7:35 PM, jeffrey E. <jeevacation@gmail.com> wrote:

great

On Tue, Jul 24, 2018 at 6:25 PM, <[redacted]> wrote:

if you are in NY , maybe i visit in september

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On Jul 23, 2018, at 10:57 PM, jeffrey E. <jeevacation@gmail.com> wrote:

now where is my friend?

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From: [redacted]
Sent: 7/29/2018 10:21:16 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re:

Importance: High

i thought so

Sent from my iPhone

On Jul 29, 2018, at 8:43 PM, jeffrey E. <jeevacation@gmail.com> wrote:

Unlikely

On Sun, Jul 29, 2018 at 1:34 PM <[redacted]> wrote:

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Sent from my iPhone

On Jul 24, 2018, at 7:35 PM, jeffrey E. <jeevacation@gmail.com> wrote:

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Date: Friday, August 3 2018 03:49 AM
Subject: Fwd: Our May conversation - more thoughts
From: Juleanna Glover <[redacted]>
To: jeffrey E. <jeevacation@gmail.com>;

Flagging for you. This went out to that circle of third party thinkers. Hope all is well, Jeffrey.!

RidgelyWalsh.com
[redacted]

Begin forwarded message:

From: Juleanna Glover <[redacted]>
Date: August 2, 2018 at 2:45:08 PM CDT
To: Juleanna Glover <[redacted]>
Subject: Our May conversation - more thoughts

Hi all –

I spent some time mulling additional aspects of a third choice presidential run and wanted to run five specific attributes for a candidate by you as a group.

This much we know - the Fall elections are shaping up to be a referendum on the most divisive American President in memory. The battle for potential Supreme Court justice Brett Kavanaugh's nomination this fall will only amplify the polarity of the political debate that is already deeply overwrought on both sides. The rising tide of pressure on Donald Trump from the Mueller investigation shows no sign of ebbing.

Unless the underlying political dynamics are disrupted, the outcomes of these unprecedented events will still leave us with the same unsatisfactory two front battlefield of the 2016 Presidential election. Watching these unrelenting, compounding events since our discussion in May, I am guessing we are all asking the same question: now what? For the 48 percent of Americans who believe Donald Trump should not be in the White House, perhaps we too want our own "chaos" candidate in 2020?

Should Trump run again, this could be a "break glass" moment for the majority of Americans who don't

support him. Do we want to break the genteel precedents of two parties running their ceremonious and seemingly illogical nominating process to select a candidate? (Why do Iowa and New Hampshire play such outsized roles? What kind of small-d democratic process relies on superdelegates?) The system failed in 2016, with both parties producing terribly flawed candidates in a race to the bottom. We need to build a back-up plan in the event the system fails again.

It's possible, of course, that we won't need a third-party candidate. Trump could decide not to run for whatever reason. The Democrats could nominate a winning 2020 candidate. I am not willing to take those bets.

The ideal candidate for a new third party is someone who is widely perceived to be that rare combination of both good *and* great. We are looking for a proven leader of men and women, someone with clear, democratic – and moral – values that reflect the best of America, not our worst. We know people like this on the national stage now.

As a thought experiment, consider the possibilities of a ticket outside the partisan lanes and imagine the chemistry of radical combinations: Biden/Romney? Bill Gates/Hogan? Bloomberg/Haley? Howard Schultz/Bob Corker? Sandberg/Kasich?

As we have discussed narrow path to electing the first president outside the two major party primary system in 168 years is more navigable than most think. Heading into 2020, converging trends in American's demands for a third party (a historic high of 61%), disapproval of Donald Trump holding steady above 50%, and the increasingly leftward drift of the Democratic Party suggest that electorate may be susceptible to merits of a new centrist party. Cynics will say that the structural impediments of ballot and presidential debate access, the overwhelming advantages of legacy parties' fundraising and voter turn-out operations preordain failure, but they're wrong; the legal and logistical hurdles are amenable to a combination of lawyering and resources. The bigger, more consequential factors come in terms of candidate quality and policy. I believe a candidate with five specific characteristics including a unique – and purposefully non-specific - policy agenda could limbo a win.

- This is what I think a successful third-party candidate looks like; a dream third party ticket would start off with enough name ID to be an instant contender. Building the name ID to run nationally is just too long and expensive of a process to accomplish in the 28 months until the next presidential election. We can't beat a celebrity without some celebrity of our own, whether from politics, sports, business, or entertainment. Instantaneous name ID is so crucial because the candidate must start out in striking distance in any three-way poll against Trump and a fill-in-the-blank Democratic flavor-of-the day candidate. The media and political class will predetermine irrelevance otherwise.

- A Democrat-leaning candidate would *have* to top the ideal third-party ticket. We need someone with a shot at snaking a plurality of the vote in the blue states Hillary Clinton won (227 electoral votes), but moderate enough to win a plurality in some combination of Trump states like Florida, Pennsylvania, Wisconsin and Michigan (another 119 votes). The right candidate may even to put North Carolina, Ohio, Indiana in play for a centrist bi-partisan ticket as well (totaling an electoral sweep of 464 elector votes). A right leaning candidate would meet the same fate as a primary challenger to Trump – for all intents and purposes we need to assume that 36% of voters won't be cleaved from Trump under any circumstances and run to win around them. The deep red states would be off the table entirely.

- With the Trump reality show airing daily, voters are now expecting to take their politics with a side of entertainment. Heretofore, ratings will matter no matter how dry the policy topic. Surely Stephen Colbert would gladly sacrifice his executive producer Chris Licht to produce a daily comedic segment of this dream candidate interviewing Americans in truck stops and McDonald's across the country. A few of the "Saturday Night Live" script writers could certainly be enticed to disguise serious debates as informative amusement. Any candidate must be committed to a near daily cadence of high quality, compelling video production. It will be especially crucial to keep the voters' attention during what will be a raucous Democratic primary season. Rules governing access to the general election debate stage dictate that a candidate enjoy support of at least 15% of voters in the months leading up to the general election.

- This dream candidate would pledge to serve only four years and address all of the U.S.'s ticking time bombs like Social Security, Medicare, health care reform, climate change, money in politics, gerrymandering, and infrastructure investment in a single term. This one-and-done term decouples our candidate from the usual politics and gives them the power of promise and deliver decisive action. A four-year term pledge ensures governance independent of campaign finance concerns and narrow special interests inherent to winning re-election. This "fix-it" ticket would promise to force decisions on all the underlying structural policy matters damaging America's long-term prospects and distorting our democracy. No more kicking the can down the road.

- This candidate should also pledge to push for laws passed that reflect the will of simple majorities in Congress. Congress now only allows bills to move forward when a "majority of a majority" supports the policy and on many levels seems fundamentally broken. This third-party president could force votes based on a transparent reading of where the votes lie via coalition building. The Senate filibuster power will present a high hurdle, but a third-party candidate would be a de facto disruptor of the two-party system. Party discipline could well break down, and moderates in both parties could form a powerful, decisive block willing to work with the new President. The policies passed into law may not be ideal for either Democrats or Republicans, but for the major agenda items that must be addressed for America's long-term health, an imperfect fix that corrects course is better than those that now have us hurtling toward national bankruptcy.

And if no candidate secures 270 electoral votes in 2020? The House of Representatives would choose the next president. In 2016, reports suggested Michael Bloomberg declined to run on a third-party ticket for fear of splitting support from Hillary Clinton and throwing the election to a GOP-controlled House of Representatives who would then vote to select the president. The fear was the GOP controlled House would have just elected Trump.

Would Democratic control of the House mean that the House would pick an alternative to Trump as president? Each state delegation has a single vote in selecting a president and it is the incoming Congress - the class elected in 2020 that would decide the election. But no matter which party has the speaker's chair, the GOP would almost certainly have the upper hand in the majority of state delegations controlled.

Would the state delegations pick a president based on party majority control of the delegation, the winner of the popular vote in each state or their own calculations as to who is best for America? Precedent suggests that delegations use secret ballots, which means individual lawmakers may vote their consciences.

If we recruit this ideal candidate; threading the needle of name ID, a center-left bent, a TV-savvy campaign team and a pledge to serve only four years with an apartisan agenda, money and campaign expertise would certainly follow. And 50 state ballot access is a function of time (starting in the fall of 2019 would be prudential) and hard work as we have discussed and many of you have exhaustively war-gamed.

Part and parcel of this effort would be motivating the often politically lackadaisical middle to vote. The raft of new technologies in data targeting and biometric mobile voting technology could transform the electorate in the next few, amping voter participation and injecting the voices of moderates (both in political views and level of political interest) into the process. And any third-party effort must incorporate advocacy for accelerated adaption of these all but inevitable voter verification tools. I believe Silicon Valley could be game-changing allies in this effort.

I am sure none of us doubt that chaos could potentially be unleashed by jamming three viable candidates into a two-party system. An election that ends up in the House of Representatives is an uncontrollable, murky and ancient process. But might that be a less scary prospect than relying on the Democrats to nominate a candidate who can beat Trump in 2020?

I look forward to talking more about all of our ideas on this hopeful project in coming weeks. Please feel free to call me to discuss. Thank you for taking time to review this note.

Sincerely,

Juleanna Glover

[redacted]

Date: Friday, August 3 2018 12:18 PM
Subject: Re: Exclusive: Bannon blasts 'con artist' Kochs, 'lame duck' Ryan, 'diminished' Kelly | TheHill
From: Steve Bannon <[redacted]>
To: jeffrey E. <jeevacation@gmail.com>;

Where is this from???
On Aug 3, 2018, at 8:17 AM, jeffrey E. <jeevacation@gmail.com> wrote:

keep close !

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- This candidate should also pledge to push for laws passed that reflect the will of simple majorities in Congress. Congress now only allows bills to move forward when a "majority of a majority" supports the policy and on many levels seems fundamentally broken. This third-party president could force votes based on a transparent reading of where the votes lie via coalition building. The Senate filibuster power will present a high hurdle, but a third-party candidate would be a de facto disruptor of the two-party system. Party discipline could well break down, and moderates in both parties could form a powerful, decisive block willing to work with the new President. The policies passed into law may not be ideal for either Democrats or Republicans, but for the major agenda items that must be addressed for America's long-term health, an imperfect fix that corrects course is better than those that now have us hurtling toward national bankruptcy.

And if no candidate secures 270 electoral votes in 2020? The House of Representatives would choose the next president. In 2016, reports suggested Michael Bloomberg declined to run on a third-party ticket for fear of splitting support from Hillary Clinton and throwing the election to a GOP-controlled House of Representatives who would then vote to select the president. The fear was the GOP controlled House would have just elected Trump.

Would Democratic control of the House mean that the House would pick an alternative to Trump as president? Each state delegation has a single vote in selecting a president and it is the incoming Congress - the class elected in 2020 that would decide the election. But no matter which party has the speaker's chair, the GOP would almost certainly have the upper hand in the majority of state delegations controlled. Would the state delegations pick a president based on party majority control of the delegation, the winner of the popular vote in each state or their own calculations as to who is best for America? Precedent suggests that delegations use secret ballots, which means individual lawmakers may vote their consciences.

If we recruit this ideal candidate; threading the needle of name ID, a center-left bent, a TV-savvy campaign team and a pledge to serve only four years with an apartisan agenda, money and campaign expertise would certainly follow. And 50 state ballot access is a function of time (starting in the fall of 2019 would be prudential) and hard work as we have discussed and many of you have exhaustively war-gamed.

Part and parcel of this effort would be motivating the often politically lackadaisical middle to vote. The raft of new technologies in data targeting and biometric mobile voting technology could transform the electorate in the next few, amping voter participation and injecting the voices of moderates (both in political views and level of political interest) into the process. And any third-party effort must incorporate advocacy for accelerated adaption of these all but inevitable voter verification tools. I believe Silicon Valley could be game-changing allies in this effort.

I am sure none of us doubt that chaos could potentially be unleashed by jamming three viable candidates into a two-party system. An election that ends up in the House of Representatives is an uncontrollable, murky and ancient process. But might that be a less scary prospect than relying on the Democrats to nominate a candidate who can beat Trump in 2020?

On Fri, Aug 3, 2018 at 8:16 AM, Steve Bannon <[redacted]> wrote:

Buried lede
Sent via BlackBerry by AT&T

From: "jeffrey E." <jeevacation@gmail.com>
Date: Fri, 3 Aug 2018 08:13:37 -0400
To: Steve Bannon<[redacted]>
Subject: Re: Exclusive: Bannon blasts 'con artist' Kochs, 'lame duck' Ryan, 'diminished' Kelly | TheHill

loved , not donors - but marks

On Fri, Aug 3, 2018 at 7:42 AM, Steve Bannon <[redacted]> wrote:

http://thehill.com/homenews/administration/400188-exclusive-bannon-blasts-con-artist-kochs-lame-duck-ryan-diminished

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From: Steve Bannon [redacted]
Sent: 8/11/2018 2:23:22 AM
To: jeevacation@gmail.com
Subject: Bannon on How 2008 Planted the Seed for the Trump Presidency

Importance: High

http://nymag.com/daily/intelligencer/2018/08/steve-bannon-on-how-2008-planted-the-seed-for-the-trump-presidency.html

From: Steve Bannon [redacted]
Sent: 8/11/2018 2:36:42 AM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Bannon on How 2008 Planted the Seed for the Trump Presidency

Importance: High

And Cohn corrupt

On Aug 10, 2018, at 10:34 PM, jeffrey E. <jeevacation@gmail.com> wrote:

calling mnuchin stupid was a lol

On Fri, Aug 10, 2018 at 10:23 PM, Steve Bannon [redacted]> wrote:

http://nymag.com/daily/intelligencer/2018/08/steve-bannon-on-how-2008-planted-the-seed-for-the-trump-presidency.html

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Date: Sunday, August 12 2018 05:23 PM
Subject: Steve Bannon had morning with disgraced Jeffrey Epstein
From: Peter Thomas Roth [redacted]
To: Jeffrey Epstein <jeevacation@gmail.com>;

Great picture of you!!!

https://pagesix.com/2018/08/11/steve- bannon-trying-to-get-on-disgraced-jeffrey-epsteins-good-side/?utm_source=maropost &utm_medium=email &utm_campaign=pagesixdaily &utm_content=20180812 &mpweb=755-7237853-719173670

Steve Bannon trying to get on disgraced Jeffrey Epstein's good side

By Emily Smith

Steve Bannon shared a secret meeting with reviled billionaire pedophile Jeffrey -Epstein at the financier's notorious Upper East Side mansion.

Former White House chief strategist Bannon was spotted stepping out of his SUV and entering the registered sex offender's sprawling 21,000-square-foot mansion at 9 E. 71st St. shortly before 7 a.m. Wednesday.

Epstein's -palatial pad is one of his homes where young girls were allegedly brought in to perform massages and used as "sex slaves."

We assume Bannon wasn't there for a massage.

Sources speculate that the disgraced -Epstein wants to use his millions to work his way close to political power again.

One told us, "Bannon needs money to bankroll his political agenda. Epstein has plenty of money, and craves power and access."

Bannon made an early-morning beeline to Epstein, even though Bannon may have burned bridges when he savaged Ivanka Trump over her criticism of Roy Moore, whom Bannon backed despite claims the candidate had sexually harassed teens. Citing an allegation in -legal

papers from a woman (who later dropped her lawsuit) that Donald Trump and Epstein had raped her when she was 13, Bannon said in response to Ivanka, "What about the allegations about her dad and that 13-year-old?"

Epstein has previously used his millions to cultivate the world's most powerful — but has mostly given money to Democrats.

From 2001 to 2003, Bill Clinton flew on Epstein's private plane, dubbed "The Lolita Express," 26 times. Epstein is close to Prince Andrew and was a regular at Trump's Mar-a-Lago.

Trump told New York magazine of Epstein in 2002, "Terrific guy. He's a lot of fun to be with. It is even said that he likes beautiful women as much as I do, and many of them are on the younger side."

Epstein, 65, pleaded guilty in 2008 to soliciting prostitution from a teen and served 13 months in jail.

Last year, he reportedly paid millions to settle three lawsuits filed against him by teens. Bannon's rep didn't comment. A lawyer for Epstein said, "Let me ask him," but didn't respond by deadline.

Date: Sunday, August 12 2018 05:42 PM
Subject: Re: Steve Bannon had morning with disgraced Jeffrey Epstein
From: Peter Thomas Roth <[redacted]>
To: jeffrey E. <jeevacation@gmail.com>;

On Aug 12, 2018, at 1:30 PM, jeffrey E. <jeevacation@gmail.com> wrote:

fun

On Sun, Aug 12, 2018 at 1:23 PM, Peter Thomas Roth <[redacted]> wrote:

Great picture of you!!!

https://pagesix.com/2018/08/11/steve-bannon-trying-to-get-on-disgraced-jeffrey-epsteins-good-side/?utm_source=maropost&utm_medium=email&utm_campaign=pagesixdaily&utm_content=20180812&mpweb=755-7237853-719173670

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From: Robert Kuhn [redacted]
Sent: 8/23/2018 6:28:45 PM
To: jeffrey E. [jeevacation@gmail.com]
Subject: Re: Kuhn - Radical Breakthroughs

Importance: High

Two short commentaries on our favorite Trade War - CNBC yesterday, Fox Business today.

CNBC - August 22, 2018
https://www.cnbc.com/video/2018/08/22/us-and-china-have-self-fulfilling-prophecies-on-both-sides-for-trade-says-expert.html

Fox Business - August 23, 2018
http://video.foxbusiness.com/v/5825805484001/?playlist_id=3166411554001#sp=show-clips

On Aug 19, 2018, at 10:39 AM, Robert Kuhn <[redacted]> wrote:

If return, let me know; if not, I'm back Sept 25 - Oct. 14.

On Aug 19, 2018, at 7:46 AM, jeffrey E. <jeevacation@gmail.com> wrote:

I might return , to ny this week not sure yet

On Sat, Aug 18, 2018 at 11:53 PM, Robert Kuhn <[redacted]> wrote:

Jeffrey:

How's all in our crazy world?

I'm in NY until August 31 (then again, after Beijing, Sept. 25 – Oct. 14). If you are in town, meet?

When convenient, I'd like you to meet Peter Getzels, Closer To Truth producer/director (I've worked with Peter for 12 years); he would very much like to meet you in person, describe the Radical Breakthroughs process in detail, get your feedback. He would come up from DC. We can always do Skype, of course, but Peter would appreciate to meet in person early in the process. Breakthroughs is a Big Project, big opportunity for impact. All are truly excited.

Below are highlights of Breakthroughs progress.

Attached is latest CNN on trade war and below are links (caution: a few weeks old is ancient history in Trump time).

The US trade war against China: The view from Beijing
https://news.cgtn.com/news/3d3d514f3551544f78457a6333566d54/share_p.html

How should China handle the trade war?
https://news.cgtn.com/news/3d3d774d3449544d79457a6333566d54/share_p.html

Love to discuss stuff.

Robert

Radical Breakthrough Development Work

• Research on each of the 13 episodes is ongoing and we are moving towards creating a short list of the top contributors per episode (with some contributors in multiple episodes).

• We are aggregating the top contributors around 4 to 5 central locations, such as SF Bay Area, LA, Chicago, Boston, New York, Santa Fe, London, Oxford, and Cambridge for the main shoots.

• We are creating a short list of locations for the secondary shoot - i.e. the more observational shoots on specific labs and research facilities, such as the Music Lab at McGill, the Sleep Lab at Harvard.

• We are planning a recce in the autumn to assess locations and meet some of the key contributors.

• We've brought on a production manager / line producer as we develop detailed research, contributors, locations, budgets.

• Our team is working toward interviewing and hiring a top science-literate associate producer / dedicated research producer. We've been coordinating with colleagues at HHMI (Howard Hughes Medical Association) as well as National Geographic for staffing referrals, and now have a strong short list. This is a critical, long-term position.

• We are assessing graphics and animation companies and researching styles and graphic ideas that we might use to communicate some of the more complex ideas.

• Our digital team is researching a web extension for the www.closertotruth.com website, developing ideas for a dedicated site neighborhood for "Radical Breakthroughs." We are in discussions with several website design companies, including the company that designed and built our original CTT site, for ideas and bids on creating the expanded site.

• By mid-October, we expect to begin to schedule the shoots.

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From: [redacted]
Sent: 8/23/2018 8:25:40 PM
To: jeevacation@gmail.com
Subject: Trump @ War

Importance: High

https://app.frame.io/presentations/a87092af-cb6a-473b-9241-582c03dbb906

Sent from ProtonMail Mobile

From: Larry Summers [redacted]
Sent: 9/12/2018 3:01:20 AM
To: jeevacation@gmail.com
Subject: Fwd: This morning

Importance: High

More than u may want to know
Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

Begin forwarded message:

From: "Maskin, Eric" [redacted]
Date: September 11, 2018 at 10:24:21 PM EDT
To: LHS [redacted]
Subject: RE: This morning

I believe there are, but don't know how careful they are. I will try to get you references.

From: LHS <[redacted]
Sent: Tuesday, September 11, 2018 10:23 PM
To: Maskin, Eric <[redacted]>
Cc: lhsoffice [redacted]
Subject: Re: This morning

Are there empirical studies on turnout.

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

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www.larrysummers.com

On Sep 11, 2018, at 10:20 PM, Maskin, Eric <[redacted]> wrote:

Yes, we can expect more extremists to run under RCV. But also more centrists (e.g., Bloomberg). Since the centrists are closer to the median voter, they will defeat the extremists.

The evidence I have seen suggests that RCV *increases* turn-out. [But it's important that voters be given the choice to rank as many or few candidates as they like, so that a voter always has the option of voting for a single candidate (in effect, he would be ranking all other candidates as tied for second). In practice, most voters choose to rank two or three candidates, but a significant fraction just rank one]

In fact the increase in the diversity of candidates under RCV is related to turn-out. If RCV had been used in 2016, Bernie Sanders could have run as an independent in the general election without fear of guaranteeing a Trump victory. Many of the Bernie supporters who stayed home on election day might then have voted---and presumably would have ranked Clinton second. This would have given her a victory over Trump in Michigan, Wisconsin, and Pennsylvania (and possibly elsewhere).

Eric

From: LHS [redacted]
Sent: Tuesday, September 11, 2018 7:52 PM
To: Maskin, Eric <[redacted]>
Cc: lhsoffice [redacted]
Subject: Re: This morning

I get that formal argument

What about aspects not quite in model.
More folk will run from extremes if they can attract more First run votes. Candidates can position a bit.

Separately I pitched this to someone today.

He said he had heard that because of its greater complexity African American and lower income turnout was depressed. Is there evidence on turnout impacts?

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

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On Sep 11, 2018, at 6:05 PM, Maskin, Eric <[redacted]> wrote:

Hi Larry,

Thank you very much for taking the meeting this morning. I'm glad you found it worthwhile, and I agree with you that Adam Friedman's commitment to the project is impressive.

I AM serious about working on this---it's a nice opportunity to make important practical use of some interesting theory. Voting rules may seem nerdy and dry, but they can make an enormous difference to actual politics

The formal argument that RCV promotes centrism better than the current system (plurality rule) is straightforward. Suppose that most voters vote ideologically in the sense that the closer a candidate is to their own position on the left-right spectrum, the more like they are to vote for him. Then under majority rule (my favorite voting system)---in which voters rank candidates and the winner is the candidate who beats all other in pairwise comparisons----the winner will be the median voter's favorite candidate -----in other words, the most centrist candidate gets elected (this assumes that there are enough candidates running so that there is one who is reasonably close to the median voter). Now observe that RCV is in between majority rule and plurality rule, and so will promote centrism better than plurality rule.

Best wishes, Eric

From: LHS <[redacted]
Sent: Tuesday, September 11, 2018 4:16 PM
To: Maskin, Eric[redacted]
Cc: lhsoffice[redacted]
Subject: This morning

It was fun and interesting.

I admire your friends determination.

Are you serious about working on this?

Has anyone done a full analysis of this and polarization.

Seems like on one hand it might encourage Ralph Nader cuz he d get more first round votes and not elect George bush. This might be bad.

On other hand, gore would not have to move left to take Nader vote.

If I like centrism is it clear that this is better.

I get that it avoids arbitrary outcomes but assume that a tea party nut is as likely to elect a dem as a lefty is to elect et a republican.

Anyway thanks for setting up.

Btw I gave them 10,000.

Larry
Sent from my iPad

Please direct all scheduling inquiries to my office at:[redacted]

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From: Jack LANG [redacted]
Sent: 9/24/2018 2:43:05 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Re:

Importance: High

Dear Jeffery,

The best solution is to put you in contact with Philippe Castro who works on the film with Serge Moati and who speaks english.

Serge Moati doesn't speak english.

Here are the contacts from Philippe:[redacted]and[redacted]

Withe my friendship,

Jack

Le 20 sept. 2018 à 12:01, jeffrey E. <jeevacation@gmail.com> a écrit :

i was offline for yom kippur . can you put me in direct contact .? happy holiday

On Wed, Sep 19, 2018 at 10:56 AM, Jack LANG <[redacted]> wrote:

> Dear Jerffrey,
>
> Dear Jerffrey,
>
> Have you received my email about Serge Moati's film project?
>
> Our recent conversation on Trump was exciting.
>
> Once again you are right.
>
> See you soon,
>
> With my friendship,
>
> Jack
>
> Le 12 sept. 2018 à 13:24, jeffrey E. <jeevacation@gmail.com> a écrit :
>
> Jack- tom - tom jacques
> --
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From: Michael Wolff [redacted]
Sent: 11/5/2018 8:25:02 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Re:

Importance: High

I haven't done that party yet...

On Mon, Nov 5, 2018 at 3:23 PM J <jeevacation@gmail.com> wrote:

> thnks for letting me sound smart :)
>
> On Mon, Nov 5, 2018 at 8:36 PM Michael Wolff <[redacted]> wrote:
>
> > I was thinking of opening with you and Bannon talking about Trump. Would let you sound smart and offer what I think would be a crowd-pleasing perspective, and make you seem like a credible player--former friend of Trump, advisor to world leaders, sought after person, etc--without having to too much rehash old stuff.
> >
> > Doesn't seem like they can win...but who knows. I'm meeting Bannon had 3 tomorrow and will stay with him until the end.
> >
> > On Mon, Nov 5, 2018 at 2:08 PM J <jeevacation@gmail.com> wrote:
> >
> > > if the republicans pull this off , steve would deserve most of the credit. . he was way out in front on this way out. . . execution not to his liking but..... on another note , what were you thinking about me in the book, with what moniker
> >
> > --
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From: Michael Wolff [redacted]]
Sent: 12/4/2018 1:23:53 PM
To: Jeffrey Epstein [jeevacation@gmail.com]
Subject: Re:

Importance: High

I think it's a useful point, potentially a powerful one. But I don't think anything is going to get attention now. I would look for some reporter to do a more nuanced post-morten on the case--with it's Trump overtones, legal joustings, #metoo-isms, and profit-motives. WSJ is probably right place.

On Tue, Dec 4, 2018 at 7:59 AM J <jeevacation@gmail.com> wrote:

> do you think the press would react to the fact that all the settlement money is going to the attorney and none to the girls.? react to the fact that the case was settled but the lawyers wanted to trumpet their success.
>
> --
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From: Larry Summers [redacted]
Sent: 1/4/2019 7:01:05 PM
To: J [jeevacation@gmail.com]
Subject: Re:

Importance: High

Tmrw

Modestly interesting developments re dear Abby issue. Quite confused.

Trump seems about same

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Jan 4, 2019, at 1:24 PM, J <jeevacation@gmail.com> wrote:

back?

On Wed, Dec 26, 2018 at 2:53 PM Larry Summers < [redacted] wrote:
Too bad

Can we lock in next year now.

Will only revert if Chinese dynamics require.

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Dec 26, 2018, at 2:51 PM, J <jeevacation@gmail.com> wrote:

not likely. ive gotten 6 so far , and was told after 4 no more

On Wed, Dec 26, 2018 at 1:54 PM Larry Summers < [redacted] > wrote:
If i want to go can u get me invited.

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Dec 26, 2018, at 8:36 AM, J <jeevacation@gmail.com> wrote:

davos nothing personal-- trying to bring more sitting rather than former. demand 150% of past for attendance.

On Tue, Dec 25, 2018 at 1:37 PM Larry Summers <[redacted]> wrote:
I ll call sometime today.

Sent from my iPad

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Dec 25, 2018, at 1:29 PM, J <jeevacation@gmail.com> wrote:

561 655 7626

On Tue, Dec 25, 2018 at 1:06 PM Larry Summers <[redacted]> wrote:
What number r u at?

Sent from my iPad

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Dec 25, 2018, at 9:26 AM, J <jeevacation@gmail.com> wrote:

being asked for 3 names to replace mnuchin

On Fri, Dec 21, 2018 at 8:23 PM Larry Summers <[redacted]> wrote:
Will
Call tonite or at some point.
Will u be visiting Mara Lago.

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Dec 21, 2018, at 7:01 PM, J <jeevacation@gmail.com> wrote:

im in palm beach all weekend

On Fri, Dec 21, 2018 at 6:42 PM Larry Summers <[redacted]> wrote:
Yup. Want to discuss the Donald at some point

Curious re Dersh

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Dec 21, 2018, at 6:29 PM, J <jeevacation@gmail.com> wrote:

you back?

On Sat, Dec 15, 2018 at 9:00 PM Larry Summers <[redacted]> wrote:
Is calling from here prudent

Sent from my iPad

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Dec 16, 2018, at 1:52 AM, J <jeevacation@gmail.com> wrote:

Ok

On Sat, Dec 15, 2018 at 12:27 PM Larry Summers <[redacted]> wrote:
In China. Too much talk may be mistake.

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Dec 15, 2018, at 10:38 PM, J <jeevacation@gmail.com> wrote:

561 655 7626

On Fri, Dec 14, 2018 at 6:12 PM Larry Summers <[redacted]> wrote:
She wants no contact except re article

I'm having very good time w lisa

I'm avoiding contact

I'm off to China. Told her.

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Dec 15, 2018, at 10:07 AM, J <jeevacation@gmail.com> wrote:

news?

On Sat, Dec 1, 2018 at 1:52 PM Larry Summers <[redacted]> wrote:
Call me or give number

She did well was mostly into that

Took my suggestions re her talk

Interested in my commentary on her outfits

Was appreciative but seemed very dry eyed on my message re marriage pigheaded etc

I referenced your having figured us out told me to be fair and got me thinking

Suspects she thinks richer dialog between us.

Think cooling off while I'm away is good thing

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

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www.larrysummers.com

On Dec 1, 2018, at 1:34 PM, J <jeevacation@gmail.com> wrote:

?

On Sat, Dec 1, 2018 at 10:38 AM LHS <[redacted]> wrote:
Yup

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

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On Dec 1, 2018, at 10:31 AM, J <jeevacation@gmail.com> wrote:

well your debating tips obviously worked as ? youre fucked , was my expression inserted as one to remember :)

On Sat, Dec 1, 2018 at 10:29 AM LHS <[redacted]> wrote:
Game day at conference she was extremely good

Smart

Assertive and clear

Gorgeous.

I'm fucked.

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

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On Dec 1, 2018, at 9:11 AM, J <jeevacation@gmail.com> wrote:

thanking her for fortitude in dealing with what has obvioulsy been a tough situation. and acknowlegin both how difficult it has been coupled with your inate insensitivty . and apologizing for not fully recogbnizing how difficult it has been l

On Sat, Dec 1, 2018 at 9:08 AM LHS <[redacted]> wrote:
I sent a note just asking her to txt when she was up cuz I had something brief to say to her.

Didn't want to push cuz she takes her 930 presentation here very seriously.

Better after her talk.

Am I thanking her or being sorry re my being married. I think the former.

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

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On Dec 1, 2018, at 8:57 AM, J <jeevacation@gmail.com> wrote:

results?

On Fri, Nov 30, 2018 at 10:54 PM LHS <[redacted]> wrote:
What number?

Sent from my iPad

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Nov 30, 2018, at 10:53 PM, J <jeevacation@gmail.com> wrote:

once you decide which way, we can set it up with option to purchase

On Fri, Nov 30, 2018 at 10:46 PM LHS <[redacted]> wrote:
You were good.

Thought if u didn't know that we had been a couple she gave it away w familiarity and barbed comments.

Think for now I'm going nowhere with her except economics mentor.

I think I'm right now in the seen very warmly in rear view mirror category.

She did not want to have a drink cuz she was "tired"

I left the hotel lobby somewhat abruptly.

When I'm reflective I think I'm dodging a bullet. There are huge ups with her but very self involved and to get her to be good probably requires more firmness than I enjoy.

Think right thing is to cut off contact. Suspect she will miss it. Problem is I will too.

Sent from my iPad

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Nov 30, 2018, at 10:35 PM, J <jeevacation@gmail.com> wrote:

im a pretty good wing man , no? anymore , how great larry is comments and i would have had to barf. great fun

On Thu, Nov 29, 2018 at 4:48 PM LHS <[redacted]> wrote:
Is there risk that u are staked our re tmrw night

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Nov 29, 2018, at 4:47 PM, J <jeevacation@gmail.com> wrote:

short lived , no worry

On Thu, Nov 29, 2018 at 4:45 PM LHS <[redacted]> wrote:
I ll show it to her.

U have returned to the press

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Nov 29, 2018, at 3:07 PM, J <jeevacation@gmail.com> wrote:

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<137cae2c-8e79-4ab3-895a-134381421cc0-1.MP4>

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From: Michael Wolff [redacted]
Sent: 5/23/2019 12:24:11 AM
To: J [jeevacation@gmail.com]
Subject: Re:

Importance: High

Where are you tomorrow?

On Wed, May 22, 2019 at 8:23 PM J <jeevacation@gmail.com> wrote:

> Why had no one interviewed some of trump classmates at wharton ? Deutsh bank papers very bery bad
> --
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From: Michael Wolff [redacted]
Sent: 5/23/2019 12:56:01 AM
To: J [jeevacation@gmail.com]
Subject: Re:

Importance: High

Lunch tomorrow? Or after? I have 4:00 appt. anytime before works.

On Wed, May 22, 2019 at 8:53 PM J <jeevacation@gmail.com> wrote:

> Free afternoon
>
> On Wed, May 22, 2019 at 8:24 PM Michael Wolff <[redacted]> wrote:
>
> > Where are you tomorrow?
> >
> > On Wed, May 22, 2019 at 8:23 PM J <jeevacation@gmail.com> wrote:
> >
> > > Why had no one interviewed some of trump classmates at wharton ? Deutsh bank papers very bery bad
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From: jeffrey E. [jeevacation@gmail.com]
Sent: 9/20/2014 1:43:23 PM
To: Kathy Ruemmler [redacted]
Subject: Re: Floor Statement of Senator Barack Obama on the Nomination of Alberto Gonzales for Attorney General - Wikisource, the free online library

Importance: High

Wow

On Saturday, September 20, 2014, Kathy Ruemmler <[redacted]> wrote:

http://en.m.wikisource.org/wiki/Floor_Statement_of_Senator_Barack_Obama_on_the_Nomination_of_Alberto_Gonzales_for_Attorney_General

Sent from my iPad

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 10/15/2014 12:23:42 AM
To: Kathy Ruemmler [redacted]
Subject: Re: Obama Favoring Former White House Counsel Kathryn Ruemmler to Succeed Holder as Attorney General - Bloomberg

Importance: High

ok

On Tue, Oct 14, 2014 at 8:22 PM, Kathy Ruemmler <[redacted]> wrote:

> I'm almost home. Call there in 10? [redacted]
>
> On Oct 14, 2014 8:20 PM, "jeffrey E." <jeevacation@gmail.com> wrote:
>
> > number?
> >
> > On Tue, Oct 14, 2014 at 8:10 PM, Kathy Ruemmler <[redacted]> wrote:
> >
> > > http://mobile.bloomberg.com/news/2014-10-14/ruemmler-said-to-emerge-as-obama-favorite-for-justice-job.html
> >
> > --
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Date: Monday, January 19 2015 09:48 AM
From: jeffrey E. <jeevacation@gmail.com>
To: Bill Gates [redacted]; Larry Cohen [redacted];

I guess i won't be able to run for office for a while. . the forbes 400 list is now over 3 trillion in wealth that will be transfered. obama will try to void the step -up , it won't pass this time, but more of an impetus for some, (though hardly needed).

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Date: Tuesday, March 31 2015 03:26 PM
Subject: Fwd: fact checking questions for New York Magazine story
From: jeffrey E. <jeevacation@gmail.com>
To: Darren Indyke <[redacted]>;

---------- Forwarded message ----------
From: **Yablon, Alex** <[redacted]>
Date: Tue, Mar 31, 2015 at 11:23 AM
Subject: fact checking questions for New York Magazine story
To: "jeevacation@gmail.com " <jeevacation@gmail.com>

Hi Jeffrey,

Sorry for the phone tag. In case it's easier to respond by email, I have put my questions below. I'm at my desk and should be here until 5, and should be free on my cell phone after 6:30.

Best,

Alex
office[redacted]
cell:[redacted]

-what is the square footage of your Manhattan home?
-do you work on a laptop from your dining room, with a large white board for notes and several pairs of reading glasses close at hand? Is the dining room windowless?
-do paparazzi often camp outside your home?
-did Michael once visit on the same day as a head of state who'd had a police escort?
-did you tell Michael about a dinner you'd hosted for six tech entrepreneurs who had a combined worth of several hundred billion dollars? When was this meal?
-Do you believe that there are now more people who possess Roosevelt or Carnegie-levels of wealth, the sort that can rival governments in influence? That these people face unusual challenges when entering philanthropy due to the sheer size of their fortunes? That the rich may know the business that made them rich, but not money itself?
-are you interested in what will happen to the $4.2 trillion possessed by the super-rich in 40-odd years once they have mostly died?
-Do you believe no superrich people want to give their entire fortunes to their children for fear of how it might affect them?
-do you advise the Bill and Melinda Gates Foundation on how to convince other billionaires to join their initiatives?
-did you volunteer to invest $20 million dollars in Michael's attempt to buy New York Magazine in 2004?
-do you believe the recent claims about Alan Dershowitz and Prince Andrew in relation to you are "ludicrous" ?
-When you met Michael for lunch in the West Village, was it the first time in 10 years you'd gone to lunch at a restaurant?
-Do you have a support staff of young women in their 20s and 30s? Have some of them worked for you for many years, through their own marriages and as they raise families? Have any of these employees been romantically involved with you? When Michael came to your home, had one of these women recently gone on an around the world honeymoon, which you arranged? Do they often travel with you to your other homes – in New Mexico, Paris, Palm Beach, and in the Caribbean? Do you maintain there is no quid-pro-quo in the relationships with these women? Do these women often socialize with the policy makers and businessmen with whom you often meet?
-Is your current girlfriend a dental student you met four years ago at a dinner party in New York?
-Did you date Eva Andersson Dubin? Have you known her for 30 years? Did you pay for her to go to medical school?
-when you take meetings in your Manhattan dining room, do you take your guests out to a Sabrett hot dog cart? Will the women who work for you accompany you?
-Did you invite Michael to sit in on a presentation by a group of quants? Are you looking for a group of quants who have developed promising investing algorithms, and do you plan to invest $5 million with each?
-during U.N. Week in late September, did you host a Sunday night discussion with Bill Gates, Mort Zuckerman, and Peter Thiel?

Was anyone else in attendance? Were you discussing a possible Gates Foundation donor advised fund?
-Did you host Sheikh Hamad Bin Jassim and several others from Qatar? Do you know if the Sheikh has a home across the street from you in Manhattan? Did they talk to you about bribery compromising their bid for the World Cup? When was this? Did they bring a gift of chocolate made with pistachios grown on the Sheikh's farm?
-The morning after the Qataris came over, did you have a 9 AM breakfast with the attorney Reid Weingarten? Did you discuss his defense of CT governor John Rowland, the Qatari visit, and who controls ISIS? Did Weingarten believe Turkey was using ISIS as a proxy against the Kurds?
-After this, did you meet with Brock Pierce to discuss bitcoin? Did Larry Summers join this meeting?
-That evening, did you host Australian PM Kevin Rudd and Thorborn Jagland for a cocktail party? Did Jagland critique US foreign policy? Did you offer to fly him back to Europe on your jet?
-The following morning, did Ehud Barack come over for breakfast? Did he have an omelet? Did he defend both Putin and Obama?
-Was this followed by a senior White House official, whose name you don't want mentioned?
-Did you then meet with Elisa New to discuss supporting a poetry series and other sources of funding? Did you forcefully critique her proposed budget?
-After meeting with New, did you meet with the following: Hardeep Purie, Kairat Kelimbetov, Nathan Myhrvold, Martin Nowak, Richard Axel, Ron Baron, Josh Harris? Have you funded Nowak's program at Harvard with $30 million?
-did Michael join a lunch at your home with Bill Richardson?
-do you believe powerful people seek your advice because you're not affiliated with any institution, so you have no ulterior motives when giving them advice?
-is your Paris home a 10,000 sq ft apartment on Avenue Foch? Does it have a stuffed baby elephant in its living room? Is it meant as a reminder that elephants have 23 copies of tumor suppressor genes?
-Is the only book on your bedside table Lolita? Are you a fan of Nabokov?
-Did you tell Michael that he should make a particular $100k investment in early September? What was it?
-Were you born on 1953 in Coney Island? Was your father a Parks dept employee? Was your mother a housewife?
-were you the captain of the math team at Lafayette High School?
-did you study at Cooper Union for two years before beginning classes at NYU's Courant classes? After this, did you teach math at Dalton? Was this your first exposure to wealthy people? Did this teach you the rich had just as many problems as the working class, only theirs were caused by too much money rather than too little?
-Did Punch Sulzberger try to convince you to join the NYT from Dalton? Did you once drive with Sulzberger to his country estate in a wood paneled station wagon, while he talked on a phone to his chaffeur?
-did you meet Ace Greenberg through his children at Dalton?
-Did he say that given your reputation for intelligence and Jewish heritage, you should be working at Bear Stearns? Was this in the late 70s?
-Did you soon move to a penthouse at 66th St. and 2nd Avenue?
-During this time did you regularly attend Studio 54?
-Have you ever drank or taken drugs?
-Do you believe that in the 50's, finance was governed by personal relationships, but in the 70's, with the rise of derivatives trading, math began to dominate the field?
-Did you never want to get married to maintain your freedom?
-Did you become close to Jimmy Cayne?
-Did you leave Bear Stearns in 1982? Why? Did you take clients including Marvin Davis and Herb Siegel?
-Were you then dating Morgan Fairchild?
-During the 80s, did you frequently go to England where you befriended Robin Reach and attended country shooting parties and black tie dinners?
-Were you mainly interested in meeting smart people rather than amassing a personal fortune?
-do you think that billionaire-level worth creates worries that millionaires don't face? Does traditional wealth management not work for billionaires?
-Did you help governments that came after corrupt dictators reclaim stolen assets? Which governments?
-Did you begin advising and representing wealthy people and families regarding philanthropy during this period?
-Did you advise Steven Hoffenberg?
-Did you attend the 1994 Serpentine Gallery gala? Did you socialize with Princess Diana at that event?
-Did you meet Bill Clinton after he left the White House? Did this change the arc of your life?
-did you buy your Manhattan home from Les Wexner?
-Did you meet with Larry Page and Sergey Brin during your 2002 trip to the TED conference? Did they describe a plan to market Google bras with the o's as cups? Did they believe Google was a good company name because men would be drawn to the oo?

-Soon after this, did you have an assistant schedule a meeting with Michael for advice about the media as both Vanity Fair and New York Magazine were profiling you? Did you also ask Graydon Carter for advice, expressing doubts about increased public profile, to which Carter said you should have moved to a Queens 2 bedroom if you wanted to avoid publicity?
-Have you had a daily massage for several years? When you got your daily massage in Palm Beach, did the masseuses often come from parlors your termed "Jack Shacks" ? Did they sometimes have "happy endings" ? Would there be many different masseuses, recommended by word of mouth?
-After Palm Beach police started investigating you, did you ask Alan Dershowitz to come to Florida to provide you with legal help?

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Date: Tuesday, March 31 2015 03:32 PM
Subject: Fwd: fact checking questions for New York Magazine story
From: jeffrey E. <jeevacation@gmail.com>
To: Michael Wolff <[redacted]>;

nfw

---------- Forwarded message ----------
From: **Yablon, Alex** <[redacted]>
Date: Tue, Mar 31, 2015 at 11:23 AM
Subject: fact checking questions for New York Magazine story
To: "jeevacation@gmail.com" <jeevacation@gmail.com>

Hi Jeffrey,

Sorry for the phone tag. In case it's easier to respond by email, I have put my questions below. I'm at my desk and should be here until 5, and should be free on my cell phone after 6:30.

Best,

Alex
office:[redacted]
cell:[redacted]

-what is the square footage of your Manhattan home?
-do you work on a laptop from your dining room, with a large white board for notes and several pairs of reading glasses close at hand? Is the dining room windowless?
-do paparazzi often camp outside your home?
-did Michael once visit on the same day as a head of state who'd had a police escort?
-did you tell Michael about a dinner you'd hosted for six tech entrepreneurs who had a combined worth of several hundred billion dollars? When was this meal?
-Do you believe that there are now more people who possess Roosevelt or Carnegie-levels of wealth, the sort that can rival governments in influence? That these people face unusual challenges when entering philanthropy due to the sheer size of their fortunes? That the rich may know the business that made them rich, but not money itself?
-are you interested in what will happen to the $4.2 trillion possessed by the super-rich in 40-odd years once they have mostly died?
-Do you believe no superrich people want to give their entire fortunes to their children for fear of how it might affect them?
-do you advise the Bill and Melinda Gates Foundation on how to convince other billionaires to join their initiatives?
-did you volunteer to invest $20 million dollars in Michael's attempt to buy New York Magazine in 2004?
-do you believe the recent claims about Alan Dershowitz and Prince Andrew in relation to you are "ludicrous" ?
-When you met Michael for lunch in the West Village, was it the first time in 10 years you'd gone to lunch at a restaurant?
-Do you have a support staff of young women in their 20s and 30s? Have some of them worked for you for many years, through their own marriages and as they raise families? Have any of these employees been romantically involved with you? When Michael came to your home, had one of these women recently gone on an around the world honeymoon, which you arranged? Do they often travel with you to your other homes – in New Mexico, Paris, Palm Beach, and in the Caribbean? Do you maintain there is no quid-pro-quo in the relationships with these women? Do these women often socialize with the policy makers and businessmen with whom you often meet?
-Is your current girlfriend a dental student you met four years ago at a dinner party in New York?
-Did you date Eva Andersson Dubin? Have you known her for 30 years? Did you pay for her to go to medical school?
-when you take meetings in your Manhattan dining room, do you take your guests out to a Sabrett hot dog cart? Will the women who work for you accompany you?
-Did you invite Michael to sit in on a presentation by a group of quants? Are you looking for a group of quants who have developed promising investing algorithms, and do you plan to invest $5 million with each?

-during U.N. Week in late September, did you host a Sunday night discussion with Bill Gates, Mort Zuckerman, and Peter Thiel? Was anyone else in attendance? Were you discussing a possible Gates Foundation donor advised fund?
-Did you host Sheikh Hamad Bin Jassim and several others from Qatar? Do you know if the Sheikh has a home across the street from you in Manhattan? Did they talk to you about bribery compromising their bid for the World Cup? When was this? Did they bring a gift of chocolate made with pistachios grown on the Sheikh's farm?
-The morning after the Qataris came over, did you have a 9 AM breakfast with the attorney Reid Weingarten? Did you discuss his defense of CT governor John Rowland, the Qatari visit, and who controls ISIS? Did Weingarten believe Turkey was using ISIS as a proxy against the Kurds?
-After this, did you meet with Brock Pierce to discuss bitcoin? Did Larry Summers join this meeting?
-That evening, did you host Australian PM Kevin Rudd and Thorborn Jagland for a cocktail party? Did Jagland critique US foreign policy? Did you offer to fly him back to Europe on your jet?
-The following morning, did Ehud Barack come over for breakfast? Did he have an omelet? Did he defend both Putin and Obama?
-Was this followed by a senior White House official, whose name you don't want mentioned?
-Did you then meet with Elisa New to discuss supporting a poetry series and other sources of funding? Did you forcefully critique her proposed budget?
-After meeting with New, did you meet with the following: Hardeep Purie, Kairat Kelimbetov, Nathan Myhrvold, Martin Nowak, Richard Axel, Ron Baron, Josh Harris? Have you funded Nowak's program at Harvard with $30 million?
-did Michael join a lunch at your home with Bill Richardson?
-do you believe powerful people seek your advice because you're not affiliated with any institution, so you have no ulterior motives when giving them advice?
-is your Paris home a 10,000 sq ft apartment on Avenue Foch? Does it have a stuffed baby elephant in its living room? Is it meant as a reminder that elephants have 23 copies of tumor suppressor genes?
-Is the only book on your bedside table Lolita? Are you a fan of Nabokov?
-Did you tell Michael that he should make a particular $100k investment in early September? What was it?
-Were you born on 1953 in Coney Island? Was your father a Parks dept employee? Was your mother a housewife?
-were you the captain of the math team at Lafayette High School?
-did you study at Cooper Union for two years before beginning classes at NYU's Courant classes? After this, did you teach math at Dalton? Was this your first exposure to wealthy people? Did this teach you the rich had just as many problems as the working class, only theirs were caused by too much money rather than too little?
-Did Punch Sulzberger try to convince you to join the NYT from Dalton? Did you once drive with Sulzberger to his country estate in a wood paneled station wagon, while he talked on a phone to his chaffeur?
-did you meet Ace Greenberg through his children at Dalton?
-Did he say that given your reputation for intelligence and Jewish heritage, you should be working at Bear Stearns? Was this in the late 70s?
-Did you soon move to a penthouse at 66th St. and 2nd Avenue?
-During this time did you regularly attend Studio 54?
-Have you ever drank or taken drugs?
-Do you believe that in the 50's, finance was governed by personal relationships, but in the 70's, with the rise of derivatives trading, math began to dominate the field?
-Did you never want to get married to maintain your freedom?
-Did you become close to Jimmy Cayne?
-Did you leave Bear Stearns in 1982? Why? Did you take clients including Marvin Davis and Herb Siegel?
-Were you then dating Morgan Fairchild?
-During the 80s, did you frequently go to England where you befriended Robin Reach and attended country shooting parties and black tie dinners?
-Were you mainly interested in meeting smart people rather than amassing a personal fortune?
-do you think that billionaire-level worth creates worries that millionaires don't face? Does traditional wealth management not work for billionaires?
-Did you help governments that came after corrupt dictators reclaim stolen assets? Which governments?
-Did you begin advising and representing wealthy people and families regarding philanthropy during this period?
-Did you advise Steven Hoffenberg?
-Did you attend the 1994 Serpentine Gallery gala? Did you socialize with Princess Diana at that event?
-Did you meet Bill Clinton after he left the White House? Did this change the arc of your life?
-did you buy your Manhattan home from Les Wexner?
-Did you meet with Larry Page and Sergey Brin during your 2002 trip to the TED conference? Did they describe a plan to market

Google bras with the o's as cups? Did they believe Google was a good company name because men would be drawn to the oo?
-Soon after this, did you have an assistant schedule a meeting with Michael for advice about the media as both Vanity Fair and New York Magazine were profiling you? Did you also ask Graydon Carter for advice, expressing doubts about increased public profile, to which Carter said you should have moved to a Queens 2 bedroom if you wanted to avoid publicity?
-Have you had a daily massage for several years? When you got your daily massage in Palm Beach, did the masseuses often come from parlors your termed "Jack Shacks" ? Did they sometimes have "happy endings" ? Would there be many different masseuses, recommended by word of mouth?
-After Palm Beach police started investigating you, did you ask Alan Dershowitz to come to Florida to provide you with legal help?

--

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 4/23/2015 2:38:55 PM
To: Ehud Barak [redacted]
Subject: Re: What Iran nuke deal means for Israel: Ehud Barak

this is your interview not his

On Thu, Apr 23, 2015 at 9:34 AM, Ehud Barak <[redacted]> wrote:

> Hi Jeff
> Bill Clinton 1994.
> Food for thought.
> EB
> http://video.cnbc.com/gallery/?video=3000369298
>
> Sent from my iPhone

--

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 4/23/2015 5:44:25 PM
To: Melanie Spinella [redacted]
Subject: Fwd: What Iran nuke deal means for Israel: Ehud Barak

---------- Forwarded message ----------
From: **Ehud Barak** <[redacted]>
Date: Thu, Apr 23, 2015 at 9:34 AM
Subject: Fwd: What Iran nuke deal means for Israel: Ehud Barak
To: Epstein Jeffrey <Jeevacation@gmail.com>

Hi Jeff
Bill Clinton 1994.
Food for thought.
EB

http://video.cnbc.com/gallery/?video=3000369298

Sent from my iPhone

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 4/23/2015 7:44:25 PM
To: Martin Weinberg [redacted]
Subject: Re: ATTORNEY-CLIENT PRIVILEGE

Importance: High

Privileged - Redacted

On Thu, Apr 23, 2015 at 3:43 PM, Martin Weinberg [redacted] wrote:

Privileged - Redacted

MGW
Martin G. Weinberg, Esq.

20 Park Plaza, Suite 1000

Boston, MA 02116

[redacted]

==========

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On Thu, 4/23/15, Martin Weinberg <[redacted]> wrote:

Subject: ATTORNEY-CLIENT PRIVILEGE
To: "Jeffrey Epstein" <jeevacation@gmail.com>, "Kathy Ruemmler" <[redacted]>
Cc: "Martin Weinberg" [redacted], "dkiesq" [redacted]
Date: Thursday, April 23, 2015, 2:31 PM

Privileged - Redacted

Martin G. Weinberg, Esq.

20 Park Plaza, Suite 1000

Boston, MA 02116

[redacted]

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--- On Thu, 4/23/15, Cathy Alexander <[redacted]
wrote:

> From: Cathy Alexander <[redacted]
> Subject: Miles and Cathy Alexander and Little St
James island
> To: [redacted]
> Cc: "Miles Alexander" <[redacted],
[redacted]
> Date: Thursday, April 23, 2015, 2:21 PM
>
> To: Martin Weinberg, Esq.
>
> Dear Mr. Weinberg:
>
> I understand that you are looking for
> information regarding whether former President Clinton
and
> former Vice President Gore and his then wife, Tipper,
ever
> visited Little St. James. I was the Island's
manager
> from 1999 through 2007 and lived on the Island with my
wife
> during that entire period. Regarding President
> Clinton, I will sign a sworn affidavit that I never met
the
> man. As far as I know President Clinton was never on
> the Island. He was never there while I was present
on
> the Island. If he had come to the Island while I was
> on holiday, my staff would have told me that President
> Clinton was on the Island while I was away. While I
> worked on Little St. James, I had been called back
from
> holiday many times to help when any guests visited the
> Island. So, if President Clinton had come to the
> Island while I was away, I would have been called back
to
> the Island for such a visit, and I never was.
> The same is true for Vice President Gore and his wife
> Tipper. I never met them and as far as I am
> aware were never on Little St. James during the entire
> period that I was the Island manager.
>
> Sincerely,

>
> Miles Alexander
>
>
> Sent from my iPad

--

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 4/25/2015 5:06:32 PM
To: Joichi Ito [redacted]
Subject: Re: Digital Currency Initiative

gavin is clever\

On Sat, Apr 25, 2015 at 10:57 AM, Joichi Ito <[redacted]> wrote:

FYI

Used gift funds to underwrite this which allowed us to move quickly and win this round. Thanks.

- Joi

> Begin forwarded message:
>
> From: Joi Ito <[redacted]
> Subject: Digital Currency Initiative
> Date: April 25, 2015 at 10:25:09 AM EDT
> To:[redacted]
>
> As Bitcoin and Digital Currencies have started to become an important trend, the Media Lab has launched an initiative in the space.
>
> I wrote a blog post on why I think Blockchain/Bitcoin are like the Internet:
http://joi.ito.com/weblog/2015/01/23/why-bitcoin-is-.html
>
> The way that Bitcoin is organized currently is that there are five core developers and around a hundred contributors to the core code. The five core developers are like Linus Torvalds of Linux. They decide what changes are made to the core code. One of the five is the lead developer, Wladimir, and one is the Chief Scientist, Gavin.
>
> Gavin, Wladimir and Cory (an important contributing developer) were being paid out of a non-profit organization called the Bitcoin Foundation. A few weeks ago, it "blew up" when one of the board members declared the foundation "bankrupt". (https://bitcoinfoundation.org/forum/index.php?/topic/1284-the-truth-about-the-bitcoin-foundation/) Many organizations scrambled to step into the vacuum created by the foundation and "take control" of the developers. We moved quickly talking to all of the various stakeholders and the three developers decided to join the Media Lab. This is a big win for us.
>
> According to the WSJ Blog:
>
> http://blogs.wsj.com/moneybeat/2015/04/24/bitbeat-tackling-bitcoin-price-swings-with-eye-on-emerging-markets/
>
>> It's official, more or less: MIT's famed Media Lab has become the principal home and funding source for the small team of developers responsible for maintaining and improving bitcoin's core software.
>>
>> Gavin Andresen, who bears the title of Chief Scientist for the six-person core development team, announced on his blog Wednesday that he and two other core developers, Wladimir van der Laan and Cory Fields, had moved to the MIT Media Lab's new Digital Currency Initiative, ending their previous status as

employees of the Bitcoin Foundation. The three other core developers, who draw salaries from different employers, will continue in that status.
>
> The usually rather feisty community has been overall very supportive and I think it is because of our strong research focus and our neutral position.
>
> The initiative has strong support from faculty across campus including crypto guru Ron Rivest and former Chief Economist of the IMF, Simon Johnson as well as faculty at the Media Lab, Sandy Pentland and Andy Lippman.
>
> More about initiative here:
>
> http://joi.ito.com/weblog/2015/04/15/announcing-mit-dci.html
> https://medium.com/@medialab/launching-a-digital-currency-initiative-238fc678aba2
>
> I hired one of Megan's former colleagues from the White House, Brian Forde who was in charge of figuring out Bitcoin at the White House and brief the POTUS on Bitcoin to run the initiative and he is doing an amazing job so far.
>
> https://newsoffice.mit.edu/2015/brian-forde-media-lab-director-digital-currency-0415
>
> Fred and Reid on the Advisory Council have been super helpful in helping us navigate this. Advisory Council member Jim Pallotta is also active in this space and joined our first and very successful dinner with Media Lab Member (sponsor) companies to kick off a special interest group for our companies.
>
> I am in discussions with Stanford, Princeton and Hong Kong UST to create an academic network for research. We are also participating in a policy network with Stanford, Harvard and Oxford.
>
> Happy to follow with more information for anyone interested in learning more or getting involved.
>
> - Joi

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 7/24/2015 8:47:39 PM
To: Sultan Bin Sulayem [redacted]
Subject: Re: FDA Approved a Potent and Pricey Cholesterol lowering drug today

yes, it requires a shot, its not a pill and so far no long term effects known

On Fri, Jul 24, 2015 at 4:37 PM, Sultan Bin Sulayem <[redacted]> wrote:

Have you heard of this colestrol

Jul 24, 2015 @ 3:23 PM **1,169** views

The FDA Approves A Potent And Pricey Cholesterol-Lowering Shot

Matthew Herper ,

Forbes Staff

I cover science and medicine, and believe this is biology's century.

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- Full Bio
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- Popular Posts

I believe this is biology's century. I've covered science and medicine for Forbes from the Human Genome Project through Vioxx to the blossoming DNA technology changing the world today. Email me, follow me on Twitter, circle me onGoogle Plus, or subscribe to my Facebook page.

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The Food and Drug Administration has approved Praluent, a new medicine to lower cholesterol in people who have established heart disease, for people whose risk of a heart attack or stroke is not being adequately controlled by existing drugs called statins.

It might be a big step in the battle against heart disease – and the approval is a triumph for Regeneron Pharmaceuticals, the Tarrytown, N.Y.-based biotechnology company that invented it. Praluent is likely to be more widely used, and to cost more, than Wall Steet analysts expected. That also means it could be a big cost

down the line.
"Obviously, the class is one of the biggest developments in cardiology in the last decade, that will allow us to treat patients who have been extremely difficult to treat with high levels of LDL cholesterol," says Steven Nissen, chairman of cardiology at the Cleveland Clinic. "It's very promising."
But it will also be very expensive, say Troy Brennan, the chief medical officer of CVS Caremark, the giant pharmacy benefits manager."If these drugs are used as broadly as they could be used, they are going to be by far the most expensive drug class," Brennan says.
Praluent, an injection, lowers low-density lipoprotein, the so-called "bad cholesterol", by as much as 60%, far more than the statin drugs alone. It is the first drug to work by targeting a protein called PCSK9. Mutations in the gene that makes it can result in patients having lower cholesterol and a dramatically lower lifetime risk of heart attacks. A rival medicine from Amgen is also expected to be approved soon. The FDA is clearing Praluent for patients with heterozygous familial hypercholesterolemia, a genetic condition that causes high cholesterol, and for people who have heart disease, like those who've had heart attacks or strokes, who are already taking the maximum dose of a statin they can tolerate.
Regeneron and its marketing partner Sanofi say Praluent will have a wholesale cost of $40 a day, or $14,600 a year, for either of two doses, 75 milligrams or 150 mgs. It's likely that insurance companies will get a significant discount, because Amgen and Regeneron will compete by giving the insurers rebates.
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"We don't want the noise about these drugs to be price," says Leonard Schleifer, the chief executive and founder of Regeneron. "We have to make sure that people get access to the drug for a fair price if they're insured, for free if they're not insured, or at a discount if they're under-insured."

Praluent's price is 46% higher than that forecast by Evercore ISI, an investment bank, and it is being approved for a larger group of patients than many Wall Street analysts expected following a meeting convened by the FDA to analyze the data on the drug. Some doctors argued its use should be restricted mainly to patients with FH. But Mark Schoenebaum, Evercore ISI's pharmaceutical analyst, says that investors were initially disappointed because they had hoped the FDA would greenlight the drug for an even broader group. Regeneron shares were down 2.5% in afternoon trading before they were halted pending news.

But doctors may prescribe the drug more widely than the label suggests. A survey of physicians published this morning by Geoffrey Porges, an biotechnology analyst at investment bank Sanford C. Bernstein, found that they would use the drug in 30% to 40% of patients who had already had heart attacks. He wrote that 2020 sales of Praluent could be as high as $4.8 billion.

In the survey, doctors expressed a preference for Praluent. One advantage of Regeneron's drug is that doctors will be able to start it at a lower, 75 milligram dose.

Schleifer, who is a medical doctor and, incidentally, a billionaire thanks to his Regeneron stake, says that the company expects that as many as 8 million people who don't have their cholesterol well-controlled could be candidates for Praluent. He emphasized, though, that until larger studies prove the drug prevents heart attacks and strokes patients should always choose statins first. It will have sales representatives a

Insurance companies and pharmacy benefit managers, who help insurers and employers manage drug costs, are going to do their best to restrict use of Praluent, though. Brennan, the CVS Caremark executive, says that he expects patients will need to have medical records documenting that they have already taken statins. Those not taking statins would need a blood test confirming that a statin caused elevations in muscle or liver enzymes, not just complaints that they were achy. "We're not trying to replace statins," says Schliefer, the Regeneron CEO.

Most people who have muscle problems from statins do not have those elevated muscle enzymes, says Nissen, the Cleveland Clinic cardiologist, who is conducting a clinical trial Amgen and Pfizer, which is also developing a similar cholesterol drug. He says he has patients who are "desperate" to take a statin but who cannot tolerate it because of muscle pain but do not have elevated muscle enzymes.

.

"Dehspite significant progress over the last decades, high cholesterol remains a leading concern in the U.S. and globally," said Olivier Brandicourt, M.D., Chief Executive Officer, Sanofi. "Praluent demonstrates the power of the Sanofi and Regeneron alliance to deliver a first-in-class therapy in the U.S. for patients in need. Sanofi has a strong cardiovascular heritage and dedication to these patients, and we look forward to working with other regulatory authorities to make Praluent available to patients worldwide."

"We are grateful to the thousands of patients and investigators worldwide who participated in the ODYSSEY clinical trial program," said Leonard S. Schleifer, M.D., Ph.D., Founder, President, and Chief Executive

Officer, Regeneron. "Praluent represents the culmination of more than a decade of tireless work to translate the genetic-based discovery of PCSK9 into an innovative medicine that brings meaningful value to patients."
The approval of Praluent was based on data from the pivotal Phase 3 ODYSSEY program, which showed consistent, positive results compared to placebo, which included current standard of care therapy (statins). In the ODYSSEY LONG TERM trial which evaluated Praluent 150 mg every two weeks, Praluent reduced LDL cholesterol by 58 percent versus placebo at week 24 when added to current standard of care, including maximally tolerated statins. In ODYSSEY COMBO I, Praluent 75 mg every two weeks as an adjunct to statins reduced LDL cholesterol by an additional 46 percent compared to placebo at week 12. At week 24 in the same trial, Praluent reduced LDL cholesterol by 43 percent compared to placebo. In this study, if additional LDL cholesterol lowering was required based on pre-specified criteria at week 8, Praluent was up-titrated to 150 mg at week 12 for the remainder of the trial. Eighty-three percent of patients remained on their initial 75 mg dose. Praluent is generally well-tolerated with an acceptable safety profile. Local injection site reactions including redness, itching, swelling or pain/tenderness where the injection is given were the most common events (7.2 percent with Praluent versus 5.1 percent with placebo) and resulted in a low discontinuation rate that was comparable to placebo (0.2 percent with Praluent versus 0.4 percent with placebo). Patients receiving Praluent had a greater number of injection site reactions, had more reports of associated symptoms, and had reactions of longer average duration than patients receiving placebo. Other common adverse events occurring more frequently in patients with Praluent than placebo included symptoms of the common cold and flu or flu-like symptoms.

The companies carefully considered the potential medical value that Praluent offers patients in determining the Wholesale Acquisition Cost (WAC). The U.S. WAC price of Praluent is $40 per day ($1,120 every 28 days) for both the 75 mg and 150 mg doses, making Praluent the lowest priced patient-administered monoclonal antibody therapy on an annualized basis. Actual costs to patients, payers and health systems are anticipated to be lower as WAC pricing does not reflect discounts or rebates. Out-of-pocket costs to patients will vary depending on insurance status and eligibility for patient assistance.

Sanofi and Regeneron are committed to ensuring that patients in the U.S. who are prescribed Praluent are able to access the medicine and receive the support they may need. The companies will launch a comprehensive program that offers support, training and follow up for patients at every step of the process. The program will provide patient assistance to uninsured or underinsured patients, including providing free medicine to eligible patients, and can help identify coverage options for out-of-pocket costs. Additional services include educational information, clinical support for physicians, nurses and pharmacists, as well as reimbursement services, including co-pay support for eligible patients and information about insurance eligibility support. For more information, please call 1-844-PRALUENT (1-844-772-5836).

Earlier today, the companies announced that the European Medicine Agency's (EMA's) Committee for Medicinal Products for Human Use (CHMP) has adopted a positive opinion for the marketing authorization of Praluent, recommending its approval for use in certain adult patients with hypercholesterolemia. The European Commission (EC) is expected to make a final decision on the Marketing Authorization Application for Praluent in the European Union in September 2015.

Investor Relations Conference Call on Praluent
Sanofi and Regeneron will be hosting a conference call for the financial community on Praluent® (alirocumab) Injection for the treatment of high LDL cholesterol in adult patients. The conference call will take place on Friday, July 24, 2015 (21:30 CET / 20:30 BST/ 15:30 EDT / 12:30 PDT).

The call will be available through audio webcast at www.sanofi.com and www.regeneron.com and also via the following telephone numbers:

France:	+33 (0) 1 70 80 71 53

UK:	+44 (0) 203 107 0289
U.S.:	+1 888 660 6127
	Access code: 81662098

ODYSSEY Program
The ODYSSEY Phase 3 program is one of the most comprehensive clinical trial programs ever conducted for an investigational LDL cholesterol lowering therapy. The program includes 14 global Phase 3 trials evaluating more than 23,500 patients. The primary efficacy end point in all of the studies was the mean percent reduction from baseline in LDL cholesterol at week 24 compared to placebo (maximally tolerated statin therapy); all of the completed studies met their primary endpoint. A significantly higher proportion of patients achieved LDL cholesterol of less than 70 mg/dL in the Praluent group as compared to placebo at both week 12 and week 24. The ongoing ODYSSEY OUTCOMES trial will prospectively evaluate the cardiovascular benefits of Praluent in approximately 18,000 patients.

Important Safety Information
Do not use PRALUENT if you are allergic to alirocumab or to any of the ingredients in PRALUENT.
Before you start using PRALUENT, tell your healthcare provider about all your medical conditions, including allergies, and if you are pregnant or plan to become pregnant or if you are breastfeeding or plan to breastfeed.
Tell your healthcare provider or pharmacist about any prescription and over-the-counter medicines you are taking or plan to take, including natural or herbal remedies.
PRALUENT can cause serious side effects, including allergic reactions that can be severe and require treatment in a hospital. Call your healthcare provider or go to the nearest hospital emergency room right away if you have any symptoms of an allergic reaction including a severe rash, redness, severe itching, a swollen face or trouble breathing.
The most common side effects of PRALUENT include: redness, itching, swelling, or pain/tenderness at the injection site, symptoms of the common cold, and flu or flu-like symptoms. Tell your healthcare provider if you have any side effect that bothers you or that does not go away.
Talk to your doctor about the right way to prepare and give yourself a PRALUENT injection and follow the "Instructions for Use" that comes with Praluent.

You are encouraged to report negative side effects of prescription drugs to the FDA. Visit www.fda.gov/medwatch or call 1-800-FDA-1088.

Please click here for the full Prescribing Information.

About Sanofi
Sanofi, an integrated global healthcare leader, discovers, develops and distributes therapeutic solutions focused on patients' needs. Sanofi has core strengths in the field of healthcare with seven growth platforms: diabetes solutions, human vaccines, innovative drugs, consumer healthcare, emerging markets, animal health and the new Genzyme. Sanofi is listed in Paris (EURONEXT: SAN) and in New York (NYSE: SNY).

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Date: Tuesday, September 15 2015 11:40 AM
From: jeffrey E. <jeevacation@gmail.com>
To: Bill Gates <[redacted]>;

will you be around week of 28th for general assembly clinton week? in new york

--

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 1/23/2016 3:28:09 PM
To: Kathy Ruemmler [redacted]
Subject: Re:

Importance: High

My memory is a friend killer - I stopped talking to clinton when he swore, with whole hearted conviction to me , that he had done something, , he had forgotten that he also swore the exact opposite to me only weeks before. .

On Sat, Jan 23, 2016 at 9:26 AM, Kathy Ruemmler <[redacted]> wrote:
He obviously said something to you yesterday that was disturbing, and you don't want to tell me. Just tell me -- I can take it. I promise.

Sent from my iPhone

On Jan 23, 2016, at 9:22 AM, jeffrey E. <jeevacation@gmail.com> wrote:

I was wrong

On Saturday, January 23, 2016, Kathy Ruemmler <[redacted]> wrote:
I will just say I told you so. Not to sound overly dramatic, but he is very close to being a psychopath -- he has no conscience. It's scary.

Sent from my iPhone

On Jan 23, 2016, at 8:40 AM, jeffrey E. <jeevacation@gmail.com> wrote:

i could never ever verify its authenticity. so- yes .

On Sat, Jan 23, 2016 at 8:22 AM, Kathy Ruemmler <[redacted]> wrote:
Meaning I win the bet that I will never receive an apology and acknowledgment of acceptance of responsibility?

On Sat, Jan 23, 2016 at 4:58 AM jeffrey E. <jeevacation@gmail.com> wrote:
You were right and I was wrong. Humble pie, crow , or my own words is what i get to eat today. your choice

On Fri, Jan 22, 2016 at 6:28 PM, Kathy Ruemmler <[redacted]> wrote:
What part do you find disturbing? Do you think he is losing it?

Sent from my iPhone

On Jan 22, 2016, at 6:21 PM, jeffrey E. <jeevacation@gmail.com> wrote:

talking to macgiver, disturbs me, and that takes a lot

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 1/23/2016 3:40:03 PM
To: Kathy Ruemmler [redacted]
Subject: Re:

Importance: High

with conviction

On Sat, Jan 23, 2016 at 10:37 AM, Kathy Ruemmler <[redacted]> wrote:
Macgyver takes it to another level because if you call him out on it, he will explain with a straight face that both statements are true.

Sent from my iPad

On Jan 23, 2016, at 10:28 AM, jeffrey E. <jeevacation@gmail.com> wrote:

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 2/27/2016 4:36:43 PM
To: Kathy Ruemmler [redacted]
Subject: Re: Follow up

Importance: High

good, , however in writing would be best.

On Sat, Feb 27, 2016 at 11:34 AM, Kathy Ruemmler <[redacted]> wrote:

Sent from my iPhone

Begin forwarded message:

From: Kathy Ruemmler <[redacted]>
Date: February 27, 2016 at 8:07:42 AM MST
To: "Immelt, Stephen J." <[redacted]>
Subject: Re: Follow up

Hi Steve,

I am still intrigued and would like to meet Michael. I thinks it makes sense, though, for us to have a more specific conversation about compensation before I meet with him. I don't want to put the cart before the horse, but as I mentioned, this would be a big move for me, and it would have to make sense economically in addition to being the right move for other reasons we have discussed.

I hope you are well. Cannot believe that Christie endorsed Trump!

Best,

Kathy

Sent from my iPad

On Feb 25, 2016, at 5:23 AM, Immelt, Stephen J. <[redacted]> wrote:

Kathy

I don't want to pester you, but in the hope that you are still intrigued, I wanted to suggest that we try to set up an opportunity for you to meet Michael Davison, our global head of litigation. MIchael is an International Arbitration specialist based in London and a key player. He is also a lot of fun, notwithstanding his Scottish upbringing.

Let me know.

Best,

Steve

About Hogan Lovells

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 2/27/2016 7:38:48 PM
To: Kathy Ruemmler [redacted]
Subject: Re: Follow up

- ask him for a financial proposal . Subject to
Mutually acceptable conditions
On Saturday, 27 February 2016, Kathy Ruemmler <[redacted]> wrote:

Unsatisfactory

Sent from my iPhone

Begin forwarded message:

From: "Immelt, Stephen J." <[redacted]>
Date: February 27, 2016 at 10:30:17 AM MST
To: "'Kathy Ruemmler'" <[redacted]>
Subject: RE: Follow up

Kathy

We will of course do this in whatever sequence makes sense for you. It goes without saying that any move would need to make economic sense. My assumption has been that your comp would fall outside of our "bell curve", but that is not an issue for us as long as the potential contribution also falls outside. You would not be the only partner outside the curve, and I am comfortable with expanding that group for people who can genuinely move the needle while embracing the culture that makes us who we are.

One benefit of having Michael in the mix is that he can provide a global perspective, and he would be important for explaining the case outside the US if we moved forward.

Just let me know when and how you want to speak next.

Best,

Steve

Stephen Immelt
Partner and CEO
Hogan Lovells US LLP - Washington, DC office
Columbia Square
555 Thirteenth Street, NW
Washington, DC 20004
[redacted]
Email: [redacted]

www.hoganlovells.com

Hogan Lovells International LLP - London office
Atlantic House
Holborn Viaduct
London EC1A 2FG, United Kingdom
[redacted]

Please consider the environment before printing this e-mail.

-----Original Message-----
From: Kathy Ruemmler [redacted]
Sent: Saturday, February 27, 2016 10:08 AM
To: Immelt, Stephen J.
Subject: Re: Follow up

Hi Steve,

I am still intrigued and would like to meet Michael. I thinks it makes sense, though, for us to have a more specific conversation about compensation before I meet with him. I don't want to put the cart before the horse, but as I mentioned, this would be a big move for me, and it would have to make sense economically in addition to being the right move for other reasons we have discussed.

I hope you are well. Cannot believe that Christie endorsed Trump!

Best,

Kathy

Sent from my iPad

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Kathy

I don't want to pester you, but in the hope that you are still intrigued, I wanted to suggest that we try to set up an opportunity for you to meet Michael Davison, our global head of litigation. MIchael is an International Arbitration specialist based in London and a key player. He is also a lot of fun, notwithstanding his Scottish upbringing.

Let me know.

Best,

Steve

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 3/31/2016 10:23:07 AM
To: Richard Kahn [redacted]
Subject: Re: bad

im told people think it is done on purpose so he does not win

On Thu, Mar 31, 2016 at 4:27 AM, Richard Kahn <[redacted]> wrote:

Agreed. Trump appears to be losing momentum in polls even before that crazy comment. Think it may be beginning of the end of him...

http://www.realclearpolitics.com/epolls/latest_polls/

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue, 4th Floor
New York, NY 10022
Tel [redacted]
Fax [redacted]
Cell [redacted]

On Mar 30, 2016, at 5:05 PM, jeffrey E. <jeevacation@gmail.com> wrote:

http://www.nytimes.com/2016/03/31/us/politics/donald-trump-abortion.html?ribbon-ad-idx=3&rref=homepage&module=Ribbon&version=origin&region=Header&action=click&contentCollection=Home%20Page&pgtype=article

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 6/2/2016 10:21:17 AM
To: Raafat Alsabbagh [redacted]]
Attachments: raafat letter.docx

attached is a first draft , tell me what changes additions or modifications you suggest. I am happy you are returning so fast . If Mohammed really wants to see the future, after seeing the past in Washington with Obama, we should take him to see the Laboratory at MIT. advanced robotics. Artificial Intelligence etc.

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IN THE UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JANE DOE, proceeding under a pseudonym,	)	
Plaintiff,	)	
v.	)	Case No.:
DONALD J. TRUMP and JEFFREY E. EPSTEIN,	)	JURY TRIAL DEMANDED
Defendants.	)	

COMPLAINT FOR RAPE, SEXUAL MISCONDUCT, CRIMINAL SEXUAL ACTS, SEXUAL ABUSE, FORCIBLE TOUCHING, ASSAULT, BATTERY, INTENTIONAL AND RECKLESS INFLICTION OF EMOTIONAL DISTRESS, DURESS, FALSE IMPRISONMENT, AND DEFAMATION

Plaintiff Jane Doe, proceeding under a pseudonym, brings this action against Donald J. Trump and Jeffrey E. Epstein, and alleges that:

PARTIES

1. Plaintiff is an individual residing in and a citizen of the State of California.

2. Upon information and belief, Defendants Donald J. Trump and Jeffrey E. Epstein each reside in this District and are citizens of the State of New York.

JURISDICTION AND VENUE

3. Plaintiff is a citizen of the State of California for purposes of diversity jurisdiction under 28 U.S.C. § 1332.

4. Defendants are citizens of the State of New York for purposes of diversity jurisdiction under 28 U.S.C. § 1332.

5. This Court has original subject matter jurisdiction with respect to this action pursuant to 28 U.S.C. § 1332 as there exists complete diversity of citizenship between Plaintiff and Defendants and the amount in controversy exceeds Seventy Five Thousand Dollars ($75,000.00), exclusive of interest and costs.

6. Defendants are each subject to the jurisdiction of this Court pursuant to 28 U.S.C. § 1332 with proper venue pursuant to 28 U.S.C. § 1391 as both defendants are residents of and/or are domiciled in this district and the events giving rise to the claims occurred in this district.

RAPE, SEXUAL MISCONDUCT, CRIMINAL SEXUAL ACTS, SEXUAL ABUSE, FORCIBLE TOUCHING, ASSAULT, BATTERY, INTENTIONAL AND RECKLESS INFLICTION OF EMOTIONAL DISTRESS, DURESS, AND FALSE IMPRISONMENT

7. Plaintiff was subject to acts of rape, sexual misconduct, criminal sexual acts, sexual abuse, forcible touching, assault, battery, intentional and reckless infliction of emotional distress, duress, false imprisonment, and threats of death and/or serious bodily injury by the Defendants that took place at several parties during the summer months of 1994. The parties were held by Defendant Epstein at a New York City residence that was being used by Defendant Epstein at 9 E. 71st St. in Manhattan. During this period, Plaintiff was a minor of age 13 and was legally incapable under New York law of consenting to sexual intercourse and the other sexual contacts detailed herein. NY Penal L § 130.05(3)(a). The rapes in the first, second, and third degrees; sexual misconduct; criminal sexual acts in the first, second, and third degrees; sexual abuse in the first, second, and third degrees; and forcible touching (and, on information

HOUSE_OVERSIGHT_026385

and belief, predatory sexual assault) detailed herein are unlawful under New York law, e.g., NY Penal L § 130.20-130.52, and 130.55-130.65 (and, on information and belief, 130.95) and constitute the torts of, *inter alia*, assault, battery, false imprisonment, and intentional or reckless infliction of emotional distress, including threats of force and serious bodily harm, under New York law. Declaration of Plaintiff Jane Doe, Exhibit A hereto; Declaration of Tiffany Doe, Exhibit B hereto. Jane Doe and Tiffany Doe are each pseudonyms as each woman wishes anonymity. Tiffany Doe, a witness, was an employee of Defendant Epstein. Exh. B.

8. Courts have discretion to allow proceeding anonymously where the need for privacy outweighs the public's interest in knowing their identity and any prejudice to the defendants. *Sealed Plaintiff v. Sealed Defendant*, 537 F.3d 185, 189 (2d Cir. 2008). This litigation involves matters that are highly sensitive and of a personal nature, and identification of Plaintiff would pose a risk of retaliatory physical harm to her and to others. Exh. A. All of the ten factors that the Second Circuit articulated as relevant to this analysis favor anonymity, especially factors 1-4, 7, and 10 (e.g., factors one and two: "whether the litigation involves matters that are 'highly sensitive and [of a] personal nature,'" and "'whether identification poses a risk of retaliatory physical or mental harm to the ... party [seeking to proceed anonymously] or even more critically, to innocent non-parties'".), or are neutral with respect to anonymity. Protecting Plaintiff's anonymity is also appropriate as she is a rape victim.

9. Plaintiff was enticed by promises of money and a modeling career to attend a series of parties, with other similarly situated minor females, held at a New York City residence that was being used by Defendant Jeffrey Epstein. At least four of the parties were attended by Defendant Trump. Exhs. A and B. On information and belief, by this time in 1994, Defendant

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Trump had known Defendant Epstein for seven years (*New York,* 10/28/02), and knew that Plaintiff was then just 13 years old. Exhs. A and B.

10. Defendant Trump initiated sexual contact with Plaintiff at four different parties. On the fourth and final sexual encounter with Defendant Trump, Defendant Trump tied Plaintiff to a bed, exposed himself to Plaintiff, and then proceeded to forcibly rape Plaintiff. During the course of this savage sexual attack, Plaintiff loudly pleaded with Defendant Trump to stop but with no effect. Defendant Trump responded to Plaintiff's pleas by violently striking Plaintiff in the face with his open hand and screaming that he would do whatever he wanted. Exhs. A and B.

11. Immediately following this rape, Defendant Trump threatened Plaintiff that, were she ever to reveal any of the details of the sexual and physical abuse of her by Defendant Trump, Plaintiff and her family would be physically harmed if not killed. Exhs. A and B.

12. Defendant Epstein had sexual contact with Plaintiff at two of the parties. The second sexual encounter with Defendant Epstein took place after Plaintiff had been raped by Defendant Trump. Defendant Epstein forced himself upon Plaintiff and proceeded to rape her anally and vaginally despite her loud pleas to stop. Defendant Epstein then attempted to strike Plaintiff about the head with his closed fists while he angrily screamed at Plaintiff that he, Defendant Epstein, rather than Defendant Trump, should have been the one who took Plaintiff's virginity, before Plaintiff finally managed to break away from Defendant Epstein. Exhs. A and B.

13. The threats of violence against Plaintiff and her family continued, this time from Defendant Epstein, who again reiterated that Plaintiff was not to reveal any of the details of his

HOUSE_OVERSIGHT_026387

sexual and physical abuse of her or else, specifically, Plaintiff and her family would be seriously physically harmed, if not killed. Exhs. A and B.

14. While still under threats of physical harm by coming forward and having no reason to believe that the threats have ever been lifted or would ever be lifted, Plaintiff, who has suffered from stress, emotional distress, mental pain and suffering, among other problems, ever since the assaults, was subjected to daily painful reminders of the horrific acts of one of the perpetrators, Defendant Trump, via mass media coverage of him starting on or about June 16, 2015 that, over a short period of time, became continuous and unavoidable. Exh. A.

15. As a direct and proximate result of the sexual assaults and rapes perpetrated by Defendants upon her, Plaintiff has suffered stress, emotional distress, and mental pain and suffering, as well as adverse physical consequences.

16. As a direct and proximate result of the sexual assaults and rapes perpetrated by Defendants upon her, Plaintiff has suffered physical pain and suffering.

17. As a direct and proximate result of the sexual assaults and rapes perpetrated by Defendants upon her, Plaintiff has been subjected to public scorn, hatred, and ridicule and has suffered threats against her life and physical safety.

18. As a direct and proximate result of the sexual assaults and rapes perpetrated by Defendants upon her, Plaintiff has incurred special damages, including medical and legal expenses.

19. The sexual assaults and rapes perpetrated by Defendants upon Plaintiff were intentional acts.

20. The conduct of Defendants demonstrates willful, reckless and intentional conduct that raises a conscious indifference to consequences.

HOUSE_OVERSIGHT_026388

21. At the appropriate time in this litigation, Plaintiff shall amend her complaint to assert a claim for punitive damages against Defendants in order to punish Defendants for their actions and to deter Defendants from repeating their conduct.

TOLLING OF STATUTE OF LIMITATIONS

22. Any statute of limitations applicable to rape, sexual misconduct, criminal sexual acts, sexual abuse, forcible touching, assault, battery, intentional and reckless infliction of emotional distress, false imprisonment of a minor, if any, is tolled owing to the continuous and active duress imposed upon Plaintiff by Defendants that effectively robbed Plaintiff of her free will to commence legal action until the present time. *Cullen v. Margiotta*, 811 F.2d 698, 722 (2nd Cir.1987); *Ross v. United States*, 574 F. Supp. 536, 542 (S.D.N.Y. 1983). More particularly, Plaintiff was unrelentingly threatened by each Defendant that, were she ever to reveal any of the details of the sexual and physical abuse caused to her by Defendants, Plaintiff and her family would be physically harmed if not killed. The duress has not terminated and the fear has not subsided. The duress is an element of or inherent in the underlying causes of action complained of herein. The duress and coercion exerted by Defendants has been such as to have actually deprived Plaintiff of her freedom of will to institute suit earlier in time, and it rose to such a level that a person of reasonable firmness in Plaintiff's situation would have been unable to resist. Exhs. A and B.

23. Both Defendants let Plaintiff know that each was a very wealthy, powerful man and indicated that they had the power, ability and means to carry out their threats. Indeed, Defendant Trump stated that Plaintiff shouldn't ever say anything if she didn't want to disappear like Maria, a 12-year-old female that was forced to be involved in the third incident with

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Defendant Trump and that Plaintiff had not seen since that third incident, and that he was capable of having her whole family killed. Exhs. A and B.

24. The duress had prevented Plaintiff from starting litigation before this year. However, as soon as she surfaced, she received threats. More specifically, shortly after her first complaint was filed in California on April 26, 2016, she started receiving threatening phone calls on her cell phone. Exh. A.

25. Defendants are equitably estopped from arguing that any statute of limitations has not been tolled as Defendants wrongfully forced Plaintiff to refrain from timely commencing this action by threats, duress, and other misconduct. Exhs. A and B.

26. Moreover, this action has been brought before the facts giving rise to the estoppel have ceased to be operational (i.e., while still under threats of physical harm by coming forward and having no reason to believe that the threats have ever been lifted or would ever be lifted) and since Plaintiff has decided to seek redress at this time, Plaintiff seeks an order of protection in favor of Plaintiff and all associated with her so as to protect them from harm and harassment from Defendants and their agents and associates. Exh. A.

DEFAMATION

27. On information and belief, on or about April 28, 2016, Defendant Trump provided the following statement to American Media, Inc. and/or Radar Online LLC for publication on at least their website RadarOnline.com regarding Plaintiff's complaint ED CV 16-797-DMG (KSx) filed in the United States District Court for the Central District of California: "The allegations are not only categorically false, but disgusting at the highest level and clearly

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framed to solicit media attention or, perhaps, are simply politically motivated. There is absolutely no merit to these allegations. Period." The statement provided for publication by Defendant Trump was published by said website and has been republished elsewhere in whole or in part numerous times (and similar statements of an attorney for Defendant Trump were also published). The statement provided for publication by Defendant Trump and that was published by said websites is false as it pertains to Plaintiff.

28. The published statement is libelous on its face, and clearly exposes Plaintiff to hatred, contempt, ridicule and obloquy.

29. As a proximate result of the above-described publication, Plaintiff has suffered loss of her reputation, shame, mortification, and injury to her feelings, all to her damage in an amount to be established by proof at trial.

30. The above-described publication was not privileged because it was published by Defendant Trump with malice, hatred and ill will toward Plaintiff and the desire to injure her.

31. As a direct and proximate result of Defendant Trump's defamation of Plaintiff, Plaintiff has been subjected to public scorn, hatred, and ridicule and has suffered other injury.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment against Defendants and for the following relief:

A. That judgment be entered against Defendants for special damages, compensatory damages, and punitive damages in an amount which shall be shown to be reasonable and just by the evidence and in excess of Seventy Five Thousand Dollars ($75,000.00), exclusive of interests and costs;

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B. That all costs of this action be assessed against Defendants, including all reasonable attorney's fees, costs and expenses of this action;

C. That an order of protection in favor of Plaintiff and all associated with her be issued so as to protect them from harm and harassment from Defendants and their agents and associates; and

D. Such other and further relief as the Court may deem just and proper.

JURY DEMAND

Plaintiff demands a trial by jury of all issues properly triable by jury in this action.

Respectfully submitted,

Dated: June 20, 2016

By: */s/ Thomas Francis Meagher*

Thomas Francis Meagher
SDNY Bar Code TM6707
One Palmer Square
Princeton, New Jersey 08542
Telephone: (609) 558-1500
tmeagher@thomasfmeagheresq.com

ATTORNEY FOR PLAINTIFF

HOUSE_OVERSIGHT_026392

From: jeffrey E. [jeevacation@gmail.com]
Sent: 7/23/2016 8:41:23 AM
To: Joscha Bach [[redacted]]
Subject: Re: Mechanisms for learning

Importance: High

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I found Noam's hypothesis very compelling in the past. I still think that the idea that language is somehow a cultural or social invention of our species is wrong. But I think that there is a chance (we don't know that, but it seems to most promising hypothesis IMHO) that the difference between humans and apes is not a very intricate special circuit, but genetically simple developmental switches. The bootstrapping of cognition works layer by layer during the first 20 years of our life. Each layer takes between a few months and a few years to train in humans. While a layer is learned, there is not much going on in the higher layers yet, and after the low level learning is finished, it does not change very much. This leads to the characteristic bursts in child development, that have famously been described by Piaget.

The first few layers are simple perceptual stuff, the last ones learn social structure and self-in-society. The switching works with something like a genetic clock, very slowly in humans, but much more quickly in other apes, and very fast in small mammals. As a result, human children take nine months before their brains are mature enough to crawl, and more than a year before they can walk. Many African populations are quite a bit faster. In the US, black children outperform white children in motor development, even in very poor and socially disadvantaged households, but they lag behind (and never catch up) in cognitive development even after controlling for family income.

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This is a hypothesis that is shared by a growing number of people these days. In humans, it is reflected for instance by the fact that races with faster motor development have lower IQ. (In individuals of the same group, slower development often indicates defects, of course.)

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http://blogs.wsj.com/digits/2015/07/01/google-mistakenly-tags-black-people-as-gorillas-showing-limits-of-algorithms/

The state of the art in research can do better than that: it can begin to "imagine" things. I.e. when the experimenter asks the system to "dream" what a certain object looks like, the system can produce a somewhat compelling image, which indicates that it is indeed learning visual structure. This stuff is something nobody could do a few months ago:
http://www.creativeai.net/posts/Mv4WG6rdzAerZF7ch/synthesizing-preferred-inputs-via-deep-generator-

networks

A machine learning program that can learn how to play an Atari game without any human supervision or hand-crafted engineering (the feat that gave DeepMind 500M from Google) now just takes about 130 lines of Python code.

These models do not have interesting motivational systems, and a relatively simple architecture. They currently seem to mimic some of the stuff that goes on in the first few layers of the cortex. They learn object features, visual styles, lighting and rotation in 3d, and simple action policies. Almost everything else is missing. But there is a lot of enthusiasm that the field might be on the right track, and that we can learn motor simulations and intuitive physics soon. (The majority of the people in AI do not work on this, however. They try to improve the performance for the current benchmarks.)

Noam's criticism of machine translation mostly applies to the Latent Semantic Analysis models that Google and others have been using for many years. These models map linguistic symbols to concepts, and relate concepts to each other, but they do not relate the concepts to "proper" mental representations of what objects and processes look like and how they interact. Concepts are probably one of the top layers of the learning hierarchy, i.e. they are acquired *after* we learn to simulate a mental world, not before. Classical linguists ignored the simulation of a mental world entirely.
It seems miraculous that purely conceptual machine translation works at all, but that is because concepts are shared between speakers, so the structure of the conceptual space can be inferred from the statistics of language use. But the statistics of language use have too little information to infer what objects look like and how they interact.

My own original ideas concern a few parts of the emerging understanding of what the brain does. The "request-confirmation networks" that I have introduced at a NIPS workshop in last the December are an attempt at modeling how the higher layers might self-organize into cognitive programs.

Cheers!

Joscha

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 7/23/2016 10:20:08 PM
To: Joscha Bach [redacted]
Subject: Re: Mechanisms for learning

Importance: High

the average is the only thing that matters

On Sat, Jul 23, 2016 at 6:02 PM, Joscha Bach <[redacted]> wrote:

Am 23.07.2016 um 04:41 schrieb jeffrey E. <jeevacation@gmail.com>:

Cells seem to be mostly indistinguishable (except for XX), I thought?

Size is different on average, but males with small brains are still male.

Variation of all traits is higher for males, so there are more high IQ men (wider bell-curve). Given average brain size difference, the small difference in average IQ is surprising, I think

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Sent: 7/24/2016 5:43:22 AM
To: Joscha Bach [redacted]
Subject: Re: Mechanisms for learning

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I found Noam's hypothesis very compelling in the past. I still think that the idea that language is somehow a cultural or social invention of our species is wrong. But I think that there is a chance (we don't know that, but it seems to most promising hypothesis IMHO) that the difference between humans and apes is not a very intricate special circuit, but genetically simple developmental switches. The bootstrapping of cognition works layer by layer during the first 20 years of our life. Each layer takes between a few months and a few years to train in humans. While a layer is learned, there is not much going on in the higher layers yet, and after the low level learning is finished, it does not change very much. This leads to the characteristic bursts in child development, that have famously been described by Piaget.

The first few layers are simple perceptual stuff, the last ones learn social structure and self-in-society. The switching works with something like a genetic clock, very slowly in humans, but much more quickly in other apes, and very fast in small mammals. As a result, human children take nine months before their brains are mature enough to crawl, and more than a year before they can walk. Many African populations are quite a bit faster. In the US, black children outperform white children in motor development, even in very poor and socially disadvantaged households, but they lag behind (and never catch up) in cognitive development even after controlling for family income.

Gorillas can crawl after 2 months, and build their own nests after 2.5 years. They leave their mothers at 3-4 years. Human children are pretty much useless during the first 10-12 years, but during each phase, their brains have the opportunity to encounter many times as much training data as a gorilla brain. Humans are literally smarter on every level, and because the abilities of the higher levels depend on those of the lower levels, they can perform abstractions that mature gorillas will never learn, no matter how much we try to train them.

The second set of mechanisms is in the motivational system. Motivation tells the brain what to pay attention to, by giving reward and punishment. If a brain does not get much reward for solving puzzles, the individual will find mathematics very boring and won't learn much of it. If a brain gets lots of rewards for discovering other people's intentions, it will learn a lot of social cognition.

Language might be the result of three things that are different in humans:
- extended training periods per layer (after the respective layer is done, it is difficult to learn a new set of phonemes or the first language)
- more layers
- different internal rewards. Perhaps the reward for learning grammatical structure is the same that makes us like music. Our brains may enjoy learning compositional regular structure, and they enjoy making themselves understood, and everything else is something the universal cortical learning figures out on its own.

This is a hypothesis that is shared by a growing number of people these days. In humans, it is reflected for instance by the fact that races with faster motor development have lower IQ. (In individuals of the same group, slower development often indicates defects, of course.)

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Sent: 7/24/2016 5:44:28 AM
To: Joscha Bach[redacted]
Subject: Re: Mechanisms for learning

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Sorry for being such an embarrassment today. I will spell out today's argument a bit better and cohesive when I get to it. Also, I should have recognized that the main point I tried to make would trigger Noam (who was as always very generous, patient, kind and humble on the personal level, even though he did not feel like conceding anything on the conceptual one). Almost all of Noam's work focused on the idea that humans have very specific circuits or modules (even when most people in his field began to have other ideas), and his frustration is that it is so hard to find or explain them.

I found Noam's hypothesis very compelling in the past. I still think that the idea that language is somehow a cultural or social invention of our species is wrong. But I think that there is a chance (we don't know that, but it seems to most promising hypothesis IMHO) that the difference between humans and apes is not a very intricate special circuit, but genetically simple developmental switches. The bootstrapping of cognition works layer by layer during the first 20 years of our life. Each layer takes between a few months and a few years to train in humans. While a layer is learned, there is not much going on in the higher layers yet, and after the low level learning is finished, it does not change very much. This leads to the characteristic bursts in child development, that have famously been described by Piaget.

The first few layers are simple perceptual stuff, the last ones learn social structure and self-in-society. The switching works with something like a genetic clock, very slowly in humans, but much more quickly in other apes, and very fast in small mammals. As a result, human children take nine months before their brains are mature enough to crawl, and more than a year before they can walk. Many African populations are quite a bit faster. In the US, black children outperform white children in motor development, even in very poor and socially disadvantaged households, but they lag behind (and never catch up) in cognitive development even after controlling for family income.

Gorillas can crawl after 2 months, and build their own nests after 2.5 years. They leave their mothers at 3-4 years. Human children are pretty much useless during the first 10-12 years, but during each phase, their brains have the opportunity to encounter many times as much training data as a gorilla brain. Humans are literally smarter on every level, and because the abilities of the higher levels depend on those of the lower levels, they can perform abstractions that mature gorillas will never learn, no matter how much we try to train them.

The second set of mechanisms is in the motivational system. Motivation tells the brain what to pay attention to, by giving reward and punishment. If a brain does not get much reward for solving puzzles, the individual will find mathematics very boring and won't learn much of it. If a brain gets lots of rewards for discovering other people's intentions, it will learn a lot of social cognition.

Language might be the result of three things that are different in humans:
- extended training periods per layer (after the respective layer is done, it is difficult to learn a new set of phonemes or the first language)
- more layers
- different internal rewards. Perhaps the reward for learning grammatical structure is the same that makes us like music. Our brains may enjoy learning compositional regular structure, and they enjoy making themselves understood, and everything else is something the universal cortical learning figures out on its own.

This is a hypothesis that is shared by a growing number of people these days. In humans, it is reflected for instance by the fact that races with faster motor development have lower IQ. (In individuals of the same group, slower development often indicates defects, of course.)

Another support comes from machine learning: we find that the same learning functions can learn visual and auditory pattern recognition, and even end-to-end-learning. Google has built automatic image recognition into their current photo app:
http://blogs.wsj.com/digits/2015/07/01/google-mistakenly-tags-black-people-as-gorillas-showing-limits-of-algorithms/

The state of the art in research can do better than that: it can begin to "imagine" things. I.e. when the experimenter asks the system to "dream" what a certain object looks like, the system can produce a somewhat compelling image, which indicates that it is indeed learning visual structure. This stuff is something nobody could do a few months ago:
http://www.creativeai.net/posts/Mv4WG6rdzAerZF7ch/synthesizing-preferred-inputs-via-deep-generator-networks

A machine learning program that can learn how to play an Atari game without any human supervision or hand-crafted engineering (the feat that gave DeepMind 500M from Google) now just takes about 130 lines of Python code.

These models do not have interesting motivational systems, and a relatively simple architecture. They currently seem to mimic some of the stuff that goes on in the first few layers of the cortex. They learn object features, visual styles, lighting and rotation in 3d, and simple action policies. Almost everything else is missing. But there is a lot of enthusiasm that the field might be on the right track, and that we can learn motor simulations and intuitive physics soon. (The majority of the people in AI do not work on this, however. They try to improve the performance for the current benchmarks.)

Noam's criticism of machine translation mostly applies to the Latent Semantic Analysis models that Google and others have been using for many years. These models map linguistic symbols to concepts, and relate concepts to each other, but they do not relate the concepts to "proper" mental representations of what

objects and processes look like and how they interact. Concepts are probably one of the top layers of the learning hierarchy, i.e. they are acquired *after* we learn to simulate a mental world, not before. Classical linguists ignored the simulation of a mental world entirely.
It seems miraculous that purely conceptual machine translation works at all, but that is because concepts are shared between speakers, so the structure of the conceptual space can be inferred from the statistics of language use. But the statistics of language use have too little information to infer what objects look like and how they interact.

My own original ideas concern a few parts of the emerging understanding of what the brain does. The "request-confirmation networks" that I have introduced at a NIPS workshop in last the December are an attempt at modeling how the higher layers might self-organize into cognitive programs.

Cheers!

Joscha

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Date: Thursday, November 10 2016 10:15 PM
Subject: Fwd:
From: jeffrey E. <jeevacation@gmail.com>
To: Governor Kenneth E. Mapp <[redacted]>;

---------- Forwarded message ----------
From: **Erika Kellerhals** <[redacted]>
Date: Thu, Nov 10, 2016 at 11:12 PM
Subject: Re:
To: "jeffrey E." <jeevacation@gmail.com>

But holy shit you were spot on about trump!

Sent from my iPhone
On Nov 10, 2016, at 6:09 PM, jeffrey E. <jeevacation@gmail.com> wrote:

> **http://www.dailymail.co.uk/ news/article-3914012/Troubled- woman-history-drug-use-claimed-assaulted-Donald-Trump- Jeffrey-Epstein-sex-party-age-13-FABRICATED- story.html**
>
> --
>
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From: jeffrey E. [jeevacation@gmail.com]
Sent: 11/28/2016 4:35:10 AM
To: Robert Lawrence Kuhn [redacted]
Subject: Re:

there are no policies yet

On Sun, Nov 27, 2016 at 11:11 PM, Robert Lawrence Kuhn <[redacted]> wrote:

Fun (transient) with Trump-China:

"What China Thinks of President-Elect Trump" broadcast on CCTV News, discussion with former Chinese ambassador to U.S. and head of Chinese Association of American studies - streamed - http://english.cntv.cn/2016/11/13/VIDEytqd1tlf30eFnd6vTIxy161113.shtml

Interview - http://www.atimes.com/article/china-wants-build-relations-dealmaker-trump/

More fun (enduring) with Closer To Truth; working new episodes from FQXi conference (e.g., "Physics of the Observer", "Physics of Consciousness", "Quantum Cosmology of the Beginning?", Philosophy of Cosmology"); progressing on "Sleep & Dreams".

In LA for 2 weeks, then back to China; NY in January. You there then?

Love to get your sense of Trump's administration, policies.

Robert

On Nov 27, 2016, at 10:05 AM, jeffrey E. <jeevacation@gmail.com> wrote:

are you having fun?

On Sun, Nov 6, 2016 at 8:08 AM, Robert Lawrence Kuhn <[redacted]> wrote:

I almost get it….

On Nov 6, 2016, at 9:03 PM, jeffrey E. <jeevacation@gmail.com> wrote:

its not ba ba ba- bah . its regular (ba) ba ba ba - bah. regular four eighth notes , but the first is not sounded . changes the whole dynamic and wildly misunderstood

On Sun, Nov 6, 2016 at 2:00 PM, Robert Lawrence Kuhn <[redacted]> wrote:

Didn't know. Meaning of the rest note?

Mahler's 5th opens with the same rhythmic motif (but 4th note is the same as the first three, not lower as in Beethoven's) - Mahler's 5th is my favorite symphony.

On Nov 6, 2016, at 8:43 PM, jeffrey E. <jeevacation@gmail.com> wrote:

for me it is tied to music. beethovens fifth , is 555-3 . though unbeknownst to most people the first note (you can verify, bu looking at the score) , is a rest note (silent) so 0-555-3

On Sun, Nov 6, 2016 at 1:35 PM, Robert Lawrence Kuhn <[redacted]> wrote:
You've got a jumbo-sized right superior parietal lobe.

https://www.scientificamerican.com/article/our-brains-have-a-map-for-numbers/

On Nov 6, 2016, at 8:23 PM, jeffrey E. <jeevacation@gmail.com> wrote:

you mentioned it at my house. unfortunately , I cant avoid remembering numbers

On Sun, Nov 6, 2016 at 1:15 PM, Robert Lawrence Kuhn <[redacted]> wrote:
Yes! You beat my family. (How'd you know?)

I celebrated in Beijing by (i) developing the Sleep/Dream proposal we discussed, (ii) lunch with an MNC CEO, and (iii) playing two hours of intense table tennis with a top coach.

On Nov 6, 2016, at 6:30 AM, jeffrey E. <jeevacation@gmail.com> wrote:

birthday/?

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 11/28/2016 11:37:12 AM
To: [redacted]
Subject: Re: Réf. : TR:
Attachments: butterfly_top.gif; butterfly_bottom.gif

yes

On Mon, Nov 28, 2016 at 6:36 AM, [redacted] <[redacted]> wrote:

Dear jeffrey

From our side we could postponed the trip ,visit the 2 works from Plant Thursday the 15th and have our meeting Friday the 16th all of us,but need an answer from Plant .
Please tell me if it is convenient for you Friday the 16th,or Thurday late afternoon

Thanks

jean

-------Message original-------

De : Jean HUGUEN
Date : 28/11/2016 10:01:14
A : 'Jean'
Sujet : TR:

De : jeffrey E. [mailto:jeevacation@gmail.com]
Envoyé : lundi 28 novembre 2016 01:23
À : [redacted]; Lesley Groff <[redacted]>
Objet :

can you delay your trip one week, . trump related issues occupying my time. say 13 14 instead

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 11/28/2016 12:46:44 PM
To: Lesley Groff [redacted]
Subject: Fwd: Réf. : TR:
Attachments: butterfly_top.gif; butterfly_bottom.gif

---------- Forwarded message ----------
From: [redacted] <[redacted]>
Date: Mon, Nov 28, 2016 at 6:36 AM
Subject: Réf. : TR:
To: [redacted] jeevacation@gmail.com, [redacted],
[redacted], [redacted]

Dear jeffrey

From our side we could postponed the trip ,visit the 2 works from Plant Thursday the 15th and have our meeting Friday the 16th all of us,but need an answer from Plant .
Please tell me if it is convenient for you Friday the 16th,or Thurday late afternoon

Thanks

jean

-------Message original-------

De : Jean HUGUEN
Date : 28/11/2016 10:01:14
A : 'Jean'
Sujet : TR:

De : jeffrey E. [mailto:jeevacation@gmail.com]
Envoyé : lundi 28 novembre 2016 01:23
À : [redacted]; Lesley Groff <[redacted]>
Objet :

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 11/29/2016 12:27:23 AM
To: Melanie Spinella [redacted]
Subject: so there is no misunderstanding

Importance: High

I have told the brads and barry,- I am done. its not a negotiation , out !! - fyi given my carlyn joslin castrucci, admonishments,- though my involvement in those - in one instance only gave a name - in another only given an [redacted] dictated choice btween two 250k preparers. and for castrucci, I actually sent emails that i take no responsiblity for his being hired. - however you felt strongly that I should be saddled with their outcomes .even with brad wechsler , i again said two months in, Leon, he doesnt get it. I tell you this so that you will understand that I will not interview, recommend or vet any new hire.
A story - In 1993 trump and I had a friend that kept telling his pilots how to fly , and when to fly , he couldnt help himself from hiring morons as co pilots, and maintenance people based on cheapest rates. Donald and I tried and tried to talk some sense into him, to no avail. Donald and I were in aspen, sitting at little nells. when the friends plane crashed into the side of aspen mountain , klliing him and all on board,- Trump looked at me and said without a blink , I guess NOW he wishes he would have listened to us.- a metaphor for your office. . . had we not waited to the very last hour having had a six month window and tens of unasnwered text and emails re decisions needed including the 1031. you would have saved way more than you often feel obliged to argue about. . silly but i reallize you are stressed.
Barry will need to sit with brad for months, to absorb all the co's , structures. cash flow, financial statments etc. I will present barry my thoughts on the overall redo , it will be the exact same email that i presented to you and brad two years.ago . accurate numbers first. and foremost. . (last week gaming report stil funky). IT etc I pointed out some of the more glaring errors to barry to give him a flavor of what is to come.
Tuesday if you like we should discuss Giacometti , and pesner . difficult to finesse him if they are filing documents that you won't . these ridiculous conversations with tons of people on the phone , removes any claim you might have to not be considered a WILLFUL NON-FILER . (after youve been told by attnys and pwc that you should file in writing , you have NO choice) .. worst possible result - including serious penalties up the kazoo.

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 2/9/2017 10:45:36 AM
To: [redacted]
Subject: Re: Edmond de Rothschild Infrastructure Expertise

yes, and their projections and needs are way above current spreads. . At least in the states hospitals are now looking to sell real estate surrounding complexes. . assisted living. baby boomers. . airport funds starting for rebuilds. but very large . rail ports and roads also gigantic. . . no politically correct but profitable is alternate incarceration facilities. , always tenants :)

On Wed, Feb 8, 2017 at 6:23 PM, [redacted] <[redacted]> wrote:

Pension funds are now interested to match the maturities ?

Ariane de Rothschild

On 8 Feb 2017, at 23:22, jeffrey E. <jeevacation@gmail.com> wrote:

not likely in the states. too much money around. you should find a niche. otherwise competing with people that have a trillion dollars in credit needs

On Wed, Feb 8, 2017 at 6:20 PM, [redacted] <[redacted]> wrote:

If it s a debt fund , they were thinking of building it around senior and mezzanine debt which would yield 8 to 10% per yr with a kicker

Ariane de Rothschild

On 8 Feb 2017, at 12:59, jeffrey E. <jeevacation@gmail.com> wrote:

thanks, the issue will be returns on investment. . there is a HUGE amount of cash sitting on the sidelines. trump will want to do private public partnerships on most things. . donald loves the rothschild name.

On Wed, Feb 8, 2017 at 7:23 AM, EL HACHEM Johnny <[redacted]> wrote:

Dear Jeff,

As previously discussed between you and Ariane, Edmond de Rothschild is deeply involved in the building and financing of the infrastructure in Europe. Edmond de Rothschild has an outstanding track record, history and presence in European infrastructure, as well as being one of Europe's most recognized financial advisors to the infrastructure market. We have developed deep expertise in the infrastructure sector and sought secure, well-managed assets, generating stable, long-term returns for investors.

We have done so by initiating and backing two experienced and highly-respected managers in the industry, TIIC and BRIDGE. TIIC is an equity investor in transport and social infrastructure. BRIDGE is an infrastructure debt provider. Both managers are covered in more detail below. Edmond de Rothschild has been heavily involved in the launch of the below funds, providing crucial support in fund structuring, due diligence,

capital raising, legal & compliance functions as well as the sound governance and ESG management across all funds. Partnering with TIIC and BRIDGE has enabled Edmond de Rothschild to build a strong franchise within infrastructure investments, complementing its overall Private Equity offering. Edmond de Rothschild has also acted as anchor investor for these funds, demonstrating its strong alignment of interest with these investment teams. With Ariane we strongly believe that we should absolutely find a way to collaborate together with you to think and initiate something to serve the future needs of the US in the infrastructure field.

Please find attached further information on each manager. This would also be a chance for us to explore opportunities of working together in the future.

Please feel free to reach out to us if you require any further information. We look forward to hearing from you soon.

TIIC

TIIC Group backed by Edmond de Rothschild, is a pan-European infrastructure firm advising on mid-market infrastructure projects across Europe in both the transportation and social sectors. It was established in 2008 by the 3 founding partners of TIIC Group, Jaime d'Almeida, Manuel Cary and Francisco Mendes, with strategic support from the Edmond de Rothschild Group and Brisa.

The aim of TIIC Group is to bring an operational approach to infrastructure investments in Europe, drawing upon the extensive management and financial skills of its team members. These skills have been developed over many years at some of Europe's leading infrastructure operators and project financing firms which, when combined with the very specific infrastructure expertise of both the Edmond de Rothschild Group and Brisa, makes for a powerful and differentiated investment platform.

TIIC Group operates from two offices in Lisbon and Paris, providing its team with access to relevant investment opportunities across key target markets in Europe as well as to leading industrial contractors, operators, advisors and financiers in the infrastructure industry.

TIIC Group successfully raised a First Fund with €140m of commitments targeting transportation investments across Europe. The portfolio of the First Fund comprises 6 assets located in Portugal, Spain, France and Poland. They represent a carefully balanced mix of greenfield and early stage brownfield projects in roads and car parks. TIIC Group has played an active role in the sourcing and development of all investments and has made a significant contribution to value creation. TIIC Group believes that this is a high quality, operationally secure, cash yielding portfolio of assets which will be of strong interest to potential investors over the coming few years.

TIIC has launched a successor fund, TIIC 2, which will build upon TIIC Group' differentiated approach to infrastructure in Europe. TIIC 2 will is targeting aggregate commitments from investors of €300m (€350m

hard cap) to invest into both transportation and social infrastructure projects in Europe. TIIC 2 will also seek to invest, on a very selective basis, into greenfield social infrastructure projects in New Frontier Markets, within close proximity to the European Union. Given its powerful network of relationships across Europe and the operational skills of its team, TIIC Group will continue to target superior investment returns for TIIC 2's portfolio of assets. These returns should be in line with the anticipated returns from the First Fund portfolio which is forecast to deliver a gross IRR of up to 14% and a multiple of approximately 2x on invested capital.

TIIC announced the first close of TIIC 2 on December 30th 2016, with aggregate commitments of €135m from a group of high quality and well-diversified limited partners. First close investors in TIIC 2 include the European Investment Bank and Edmond de Rothschild, both with significant commitments, as well as the TIIC team. TIIC 2 is also supported by a number of existing investors, together with several European insurance companies, pension funds and family offices. A second close is planned in the coming months and the final close will occur before the end of 2017. We have received significant interest from a number of European institutional investors, many of which are in the process of completing detailed due diligence on TIIC 2. We are firmly on track to achieve a final close of TIIC 2 before the end of the year.

Furthermore, TIIC has announced the first exit from Fund 1, with outstanding returns. Three other investments are in sales processes and should close during the next few months.

BRIDGE

BRIDGE is an infrastructure debt platform initiated by Edmond de Rothschild Asset Management (EdRAM) to enable institutional investors to access infrastructure assets with secured and stable revenue streams. BRIDGE is a London based second generation debt fund sourcing and structuring transactions directly from sponsors when feasible and one of the few independent debt teams only investing on behalf of clients. The BRIDGE team has the ability to execute and deliver transactions as efficiently as traditional lenders as well as negotiate terms and conditions bringing optimised yield and security to investors.

The BRIDGE platform was set up as a new leg of EDR's Infrastructure, Real Assets & Structured Finance Team striving to take advantage of the expertise of the infrastructure sector acquired when the team became a global leader in PPP & Transport infrastructure financial advisory in 2011 and 2012.

The BRIDGE platform raised € 400m of new monies in 2016 and has successfully reached the €1bn mark of Assets under Management at the end of 2016. The platform comprises three investment vehicles (French FCT and Lux SIF) and is currently fundraising for additional pockets of liquidity:

o **BRIDGE I** reached final closing in December 2014 with approximately €600m of aggregate commitments from a club of institutional investors.

- **BRIDGE I Dedicated Compartment**is a vehicle created by a large European institution and anchor investor of the first fund with a €250m target amount available for deployment.
- **BRIDGE II** reached first close in December 2016 with €150m of commitments in order to invest in three transactions. Fundraising for BRIDGE II is still ongoing, targeting a group of institutional investors in Europe and elsewhere, with final target size of €600m.

The BRIDGE platform has a long-term European investment strategy and a mandate to cover all sectors of infrastructure, notably energy, renewables, utilities, transportation, telecommunications and social infrastructure and can execute project financing, refinancing and acquisition finance transactions.

The BRIDGE platform currently comprises investments of between €20-120 million each, in 17 European infrastructure transactions. In 2016 alone, the BRIDGE team has achieved financial close for 11 infrastructure deals in Europe aggregating ca. €390m. When benchmarked against other similar funds, the investment team has succeeded in deploying faster and with credit spreads well above the infrastructure senior debt benchmark, enabling BRIDGE to become a force in the growing institutions-backed infrastructure debt market. BRIDGE's ability to invest beyond the traditional definition of core infrastructure and to structure transactions was a key differentiator when Edmond de Rothschild launched this platform, as part of its commitment to real economy. BRIDGE is innovative in the sense that the investment team sources transactions directly from sponsors and is actively involved in the structuring phase, acting as Mandated Lead Arranger.

BRIDGE comprises a large, international and skilled London based investment team of 11 investment professionals who between them have arranged more than €100bn of landmark infrastructure deals over the last 20 years across the globe. The BRIDGE team is among the largest within the debt funds universe and demonstrates the Edmond de Rothschild Group's commitment to the platform.

Kind regards,
Johnny

Johnny el HACHEM

Edmond de Rothschild Private Equity

29 Route de Pré-Bois
Case postale 490
1215 Genève 15
Suisse

--

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 2/15/2017 1:23:41 PM
To: Michael Wolff[redacted]
Subject: Re: A few favors...

Importance: High

of course ok to both. . .

On Wed, Feb 15, 2017 at 8:16 AM, Michael Wolff [redacted] wrote:

> So...I'm doing this Trump book for a pile of money and with so far quite a bit of cooperation from them (DT called me the other day and spent 45 minutes on the phone ranting and raving about the media--alarming). I wonder if you could introduce me to Tom Barrack--just to say I'm a journalist who you know and trust, and that I'll follow up with a description of the project that I'm doing. Also, I'd love a reintroduction to Kathy Ruemmler. I need some off-the-record perspective on White House procedures.
>
> Are you in NYC soon?

--

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 4/7/2017 12:21:23 PM
To: Jonathan Farkas[redacted]]
Subject: Re:

why dont you suggest to him that the real money making book is getting to the truth of the claims. unvierstiy of virgina. no penalty for fals accusations. . hockey team no penalty for accusations. . trump 13 yeara old rape accusation no penaltiy etc. mine is ripe with same

On Fri, Apr 7, 2017 at 8:11 AM, <[redacted]> wrote:

Do you want me to arrange it? be careful jf

In a message dated 4/7/2017 8:06:20 A.M. Eastern Daylight Time, jeevacation@gmail.com writes:

im happy to meet him

On Fri, Apr 7, 2017 at 7:39 AM, Jonathan Farkas <[redacted]> wrote:

Went to opening of war paint last night was sitting next to john Connolly at after party he is on to his next book about Ef Hutton murders apparently was going to put me in your book because I was in your visitors list but somers and Margo nederlander asked him not to which pisses me off I have never been in a big book before and I think it would have been great and they never even asked me I told him about how you called Apple best jonathan

Sent from my iPhone

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 4/23/2017 11:20:28 AM
To: paul krassner [redacted]
Subject: Re: Subject to change

you can read the guardian article on the alleged 13 year old. put up to it by a pr guy, former jerry springer sales pitch man

On Sat, Apr 22, 2017 at 6:02 PM, paul krassner <[redacted]> wrote:

So the publisher wants me to trim down 700 to 400 pages in "The Best of…" collection. Tsk tsk. Below will be the revised mini-essay to serve as the final piece. Although I detest Trump, to be fair, I realized, thanks to you, that I had no evidence that he had raped a 13-year-old, though I did have have evidence that, as an adult, there was evidence that she made an accusation. Also, I added another sentence with a positive ending. Meanwhile, Happy Earth Day.

The Last Word: Yikes!

When George W. Bush was elected president in the year 2000, it was due to the electoral college (a rigged system which originally intended to prevent slaves from voting and evolved to gerrymandering), even though Bush's opponent, Al Gore, won the national popular vote. Hillary Clinton was elected senator that year, and she announced that the first thing she would do was to get rid of the electoral college. A few years later, as a columnist for the *New York Press*, I sent her a letter asking about the status of that promise. She didn't reply.

On November 8, 2016, a crooked businessman, liar extraordinaire, bragging pussy-grabber, make-America-white-again, anti-choice, anti-Semite, fake Christian, accused rapist of a 13-year-old in 1994 (she canceled a press conference one week before the election because of death threats if she filed a lawsuit), climate-change hoaxer, twitter addict, homophobic, apprentice politician, fucking fascist, and Vladimir Putin's "useful idiot," namely Donald Trump, who was elected as an insanely narcissistic dictator based on the electoral college, whereas his opponent, Hillary Clinton, won the national popular vote by almost three million individuals galore, to no avail.

Irony lives. But the monster has inadvertently awakened a population to resist.

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 5/22/2017 9:52:23 PM
To: Weingarten, Reid [redacted]
Subject: Re: WaPo story-- Trump's outside counsel

we should talk

On Mon, May 22, 2017 at 5:28 PM, Weingarten, Reid <[redacted]> wrote:

Do I have the choice? And if so, your view?

Sent from my BlackBerry 10 smartphone.

From: jeffrey E.
Sent: Monday, May 22, 2017 4:43 PM
To: Weingarten, Reid
Subject: Re: Fw: WaPo story-- Trump's outside counsel

do you want it? or jared?

On Mon, May 22, 2017 at 4:39 PM, Weingarten, Reid <[redacted]> wrote:

Sent from my BlackBerry 10 smartphone.

From: Parker, Ashley <[redacted]>
Sent: Monday, May 22, 2017 3:19 PM
To: Weingarten, Reid
Subject: WaPo story-- Trump's outside counsel

Hi Reid,

Ashley Parker here at the Washington Post. I cover the White House and am emailing because my colleague, Bob Costa, and I getting ready to post a story about President Trump's decision to move ahead with retaining outside counsel, and we understand you're one of the finalists for the role, and have already spoken with senior White House officials. I just wanted to let you know that we plan to mention your name (and of course see if you want to comment), and I also wanted to check and see if you were open to chatting totally off the record, just in case there is any nuance or guidance you'd like to provide. I'm at [redacted], or my desk is [redacted].

Thanks,
Ashley

Ashley Parker
[redacted]
Cell: [redacted]
Desk: [redacted]
Twitter: @AshleyRParker

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 5/23/2017 6:46:27 PM
To: Leon Black [redacted]

Weingarten, a high-powered attorney at Steptoe & Johnson in Washington known for his folksy style, is a somewhat unlikely choice because he has represented Democratic clients and is close friends with Eric H. Holder Jr., who served as attorney general under President Barack Obama. Holder and Weingarten met during their early years at the Justice Department.

The four finalists did not respond to requests for comment. A White House official said the administration had no comment

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 5/27/2017 10:23:32 PM
To: Nicholas Ribis [redacted]
Subject: Re:

Importance: High

we know jared doesnt do squat without direction. . changes coming

On Sat, May 27, 2017 at 6:14 PM, Nicholas Ribis <[redacted]> wrote:

Wow I wonder what Jarred did u know DJT knew!

Sent from my BlackBerry 10 smartphone.

From: jeffrey E.
Sent: Saturday, May 27, 2017 6:11 PM
To: Nicholas Ribis
Subject:

getting hotter

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 6/7/2017 12:03:23 PM
To: Leon Black [redacted]

"Blackstone anticipates that the program will have $40 billion in total equity commitments in a permanent capital vehicle, including $20 billion to be raised from other investors," Blackstone said in a statement announcing the planned launch of the investment fund. "The MOU is non-binding and the parties will continue their negotiation to agree definitive documentation."

Brookings Institution Senior Fellow Bruce Riedel was even less charitable. "There is no deal. It's fake news," he wrote in a scathing piece on the Brookings website. "I've spoken to contacts in the defense business and on the Hill, and all of them say the same thing: there are a bunch of letters of interest or intent, but not contracts. Many are offers that the defense industry thinks the Saudis will be interested in someday."

It could be years before anyone knows for sure whether the preliminary agreements announced in Saudi Arabia have become real deals worth hundreds of billions, or whether the announcements were the kind of hyperbole Trump perfected during his time in the business world.

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 7/16/2017 12:38:43 PM
To: Nicholas Ribis[redacted]
Subject: Re:

funny

On Sun, Jul 16, 2017 at 8:23 AM, Nicholas Ribis <[redacted]> wrote:

> Saw Matt C with DJT at golf tournament I know why he was there
>
> Sent from my iPhone

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 7/25/2017 10:03:41 PM
To: Boris Nikolic [redacted]

[redacted] had emailed me a couple of times. over the past 2 months. after I sent her that note she said she had little money, couldnt afford air condintioner. was living on a friends couch. really needed money. !!!!! ' I sent her some " , your friend bill is nuts. his former girl . cant afford air con, , cant affrod to travel to bridge , she said that sharon osborne used to arrange. . the lawyer helped her with papers. so she is ok, but broke. . that story would take trump off the front pages The richest man in the world is so cheap , his former bridge girl and toy , lives on a friends sofa. . WOWO

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 8/18/2017 8:09:23 PM
To: Michael Wolff [redacted]
Subject: Re:

[redacted]

On Fri, Aug 18, 2017 at 4:08 PM, Michael Wolff <[redacted]> wrote:

Just spent two hours on the phone with Bannon. I saw Spicer and Priebus his week. I'd pretty much say that nearly 100% of the non-family senior staff of the first six months now believe that Trump can't function in this job. I think they all become part of a Republican initiative to take him down. I hear Kelly trying to make Trump understand that Jared and Ivanka have to go.

On Fri, Aug 18, 2017 at 3:58 PM, jeffrey E. <jeevacation@gmail.com> wrote:

I assume no dinner

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 9/26/2017 12:23:33 AM
To: Darren Indyke [redacted]
Subject: Re: Breaking News: At least six of President Trump's advisers, including Steve Bannon and Reince Priebus, used private email accounts for government business

all fun

On Mon, Sep 25, 2017 at 8:12 PM, Darren Indyke <[redacted]> wrote:

Here we go again.

DARREN K. INDYKE
DARREN K. INDYKE, PLLC
575 Lexington Avenue, 4th Floor
New York, New York 10022
Telephone: [redacted]
Telecopier [redacted]
Mobile: [redacted]
email: [redacted]

**** Please note that my mobile telephone number has changed to the new number provided above. ***

****
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****

Begin forwarded message:

From: NYTimes.com News Alert <nytdirect@nytimes.com>
Subject: Breaking News: At least six of President Trump's advisers, including Steve Bannon and Reince Priebus, used private email accounts for government business
Date: September 25, 2017 at 8:11:34 PM EDT
To: [redacted]

Add nytdirect@nytimes.com to your address book.

BREAKING NEWS

At least six of President Trump's advisers, including Steve Bannon and Reince Priebus, used private email accounts for government business

Monday, September 25, 2017 8:08 PM EDT

At least six of President Trump's closest advisers occasionally used private email addresses to discuss White House matters, current and former officials said on Monday.

Officials are supposed to use government emails for their official duties so their conversations are available to the public and those conducting oversight. But it is not illegal for White House officials to use private email accounts as long as they forward work-related messages to their work accounts so they can be preserved.

During the 2016 presidential race, Mr. Trump repeatedly harped on Hillary Clinton's use of a private account as secretary of state, making it a centerpiece of his campaign and using it to paint her as untrustworthy. "We must not let her take her criminal scheme into the Oval Office," Mr. Trump said last year. His campaign rallies often boiled over with chants of "Lock her up!"

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 10/3/2017 12:26:10 PM
To: Melanie Spinella [redacted]
Subject: Fwd: Plane management

does this mean that under their brilliant structure you will have a profit and pay tax for using your plane??! . call me re other issue please we need to make a decision today
---------- Forwarded message ----------
From: **Barry J. Cohen** <[redacted]>
Date: Mon, Oct 2, 2017 at 5:21 PM
Subject: RE: Plane management
To: "jeffrey E." <jeevacation@gmail.com>

It won't take long to do. We're just swamped. I'll get something to you when I can.

My biggest fear about taking this job is that there wouldn't be enough to do. You told me that concern was crazy. You were right.

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, October 02, 2017 5:20 PM
To: Barry J. Cohen <[redacted]>
Subject: Re: Plane management

can you share?

On Mon, Oct 2, 2017 at 5:17 PM, Barry J. Cohen <[redacted]> wrote:

On our to-do list, but back of the envelope, we satisfied ourselves that after depreciation, we would show a profit. (In part because Apollo charter payments factor in depreciation.)

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, October 02, 2017 5:14 PM
To: Barry J. Cohen <[redacted]n>
Subject: Re: Plane management

did anyone provide you with a biz plan that shows the proposal will generat a profit ?

On Mon, Oct 2, 2017 at 4:30 PM, Barry J. Cohen <[redacted]> wrote:

Adding Internet and possibly changing cushions. I recommended we do it with the 4 year inspection in the spring, but haven't heard back from him. I think I talked him out of automating the divans. I agreed with what you said about that.

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, October 02, 2017 4:29 PM

To: Barry J. Cohen <[redacted]>
Subject: Re: Plane management

isnt he changing the cushions? etc and adding internet?

On Mon, Oct 2, 2017 at 4:23 PM, Barry J. Cohen <[redacted]> wrote:

Ah yes.

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, October 02, 2017 4:23 PM
To: Barry J. Cohen <[redacted]
Subject: Re: Plane management

new depreciation rules proposed under trump

On Mon, Oct 2, 2017 at 4:13 PM, Barry J. Cohen <[redacted] wrote:

GV is in inspection and going well. Not sure what renovations you mean?

On depreciation, we think we cannot use accelerated due to foreign travel preponderance, and obviously can't use bonus because not new. We think we are stuck with straight-line depreciation which will be passive.

Are you saying that Jet vs. EJM could hinge on the type of plane usage? Not sure I follow that.

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Monday, October 02, 2017 3:42 PM
To: Barry J. Cohen <[redacted]>; Melanie Spinella <[redacted]>
Subject: Re: Plane management

dont you want to see what the depreciation rules are. ? it depends on what you intend to do with it/ ? where do you stand with the renovations and the sale of the 5

On Mon, Oct 2, 2017 at 2:33 PM, Barry J. Cohen <[redacted]> wrote:

Thinking of switching from Jet Aviation to EJM. EJM is more expensive. Do you have a point of view?

Sent from my iPhone

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 11/16/2017 11:47:23 PM
To: Lesley Groff [redacted]
Subject: Re:

Importance: High

no

On Thu, Nov 16, 2017 at 6:37 PM, Lesley Groff <[redacted]> wrote:

Will you want to bring back [redacted] or [redacted] for the week you are in NY?

Sent from my iPhone

On Nov 16, 2017, at 4:46 PM, jeffrey E. <jeevacation@gmail.com> wrote:

at the moment we will go to lsh on sunday the 26th early then to new york where i will stay the week, larry , it will be [redacted] and I , trump is in town that week,

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 11/21/2017 12:44:39 AM
To: Larry Visoski [redacted]
Subject: Re: TSA PBI

Importance: High

we will have others get names from lesley.

On Mon, Nov 20, 2017 at 7:23 PM, Larry Visoski <[redacted]> wrote:

Jeffrey
While Trump is in PBI, TSA only allows arrival and departures between 8am and 5pm for General Aviation.
I made a resv for Nov 26th at 8am to St Thomas,,
Passengers: You and [redacted]
I can make passenger changes up to 24 Hours before Departure, they also request if we are traveling with an animal., FYI,
They also ask if Passengers are Male or Female, strange, they didn't ask names.

Thx
Larry

Sent from my iPhone

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 12/2/2017 2:36:15 PM
To: Larry Summers [redacted]
Subject: Re: A tax loophole for just Jeffrey Epstein?

Importance: High

after DJT actually signs it. I'll point out the location of the other eggs much more creative - overall though, the writers were very sophisticated. they closed many many loopholes. and did it elegantly . example closing all the 1031 crazy transactions by merely inserting the word " real" in from of the word property very clever, or not redoing the paragraph but merely changing the penalty to zero. . or detailing related party definitions that had teeth. . they cant be faulted for not getting it right -100 percent :)

On Sat, Dec 2, 2017 at 9:30 AM, Larry Summers <[redacted]> wrote:

I don't know whether to laugh or cry

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Dec 2, 2017, at 9:29 AM, jeffrey E. <jeevacation@gmail.com> wrote:

like the hunt for easter eggs. your friend andrew has so far only found one . and it was brighly colored :)

On Sat, Dec 2, 2017 at 9:23 AM, Larry Summers <[redacted]> wrote:

????
Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

Begin forwarded message:

From: [redacted]
Date: December 2, 2017 at 8:16:13 AM EST
To: Lawrence Henry Summers <[redacted]>
Subject: Fwd: A tax loophole for just Jeffrey Epstein?

Did you see this

[redacted]

Begin forwarded message:

From: Andrew Friendly <[redacted]>
Date: December 2, 2017 at 7:29:07 AM EST
To: [redacted] <[redacted]>
Subject: A tax loophole for just Jeffrey Epstein?

https://www.facebook.com/senatorsanders/videos/10156545332157908/

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 12/2/2017 9:16:25 PM
To: Larry Summers [[redacted]]
Subject: Re: A tax loophole for just Jeffrey Epstein?

Importance: High

Comey himself acknowledged that: "throughout history, some presidents have decided that because 'problems' come from Justice, they should try to hold the Department close. But blurring those boundaries ultimately makes the problems worse by undermining public trust in the institutions and their work." Comey has also acknowledged that the president had the constitutional authority to fire him for any or no cause.

President Trump also had the constitutional authority to order Comey to end the investigation of former national security adviser Mike Flynn. He could have pardoned Flynn, as Bush pardoned Weinberger, thus ending the Flynn investigation, as Bush ended the Iran-Contra investigation. What Trump could not do is what Nixon did: direct his aides to lie to the FBI, or commit other independent crimes. There is no evidence that Trump did that.

On Sat, Dec 2, 2017 at 10:00 AM, Larry Summers <[redacted]> wrote:

Later

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

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www.larrysummers.com

On Dec 2, 2017, at 9:50 AM, jeffrey E. <jeevacation@gmail.com> wrote:

[redacted]

On Sat, Dec 2, 2017 at 9:30 AM, Larry Summers <[redacted]> wrote:

I don't know whether to laugh or cry

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Dec 2, 2017, at 9:29 AM, jeffrey E. <jeevacation@gmail.com> wrote:

like the hunt for easter eggs. your friend andrew has so far only found one . and it was brighly colored :)

On Sat, Dec 2, 2017 at 9:23 AM, Larry Summers <[redacted]> wrote:

????
Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

Begin forwarded message:

From: Kelly Friendly <[redacted]>
Date: December 2, 2017 at 8:16:13 AM EST
To: Lawrence Henry Summers <[redacted]>
Subject: Fwd: A tax loophole for just Jeffrey Epstein?

Did you see this

Kelly Friendly
[redacted]

Begin forwarded message:

From: Andrew Friendly <[redacted]>
Date: December 2, 2017 at 7:29:07 AM EST
To: Kelly Friendly <[redacted]>
Subject: A tax loophole for just Jeffrey Epstein?

https://www.facebook.com/senatorsanders/videos/10156545332157908/

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 1/24/2018 11:35:28 AM
To: [redacted]
Subject: Re: Keep the March Alive!

happy to help. but I thought by colorful past might be more of a burden with re conribtuions.

On Tue, Jan 23, 2018 at 9:59 PM, Diane Ziman <[redacted]> wrote:

> Jeffrey --
>
> Did you see my son's email on Sunday?
>
> I was so proud to see him speak at the Women's March this weekend, joining thousands of passionate Floridians who want real change in our state, and across the country.
>
> But we both know that change doesn't come easy. And there are a lot of folks in Tallahassee that want to keep things the same as usual.
>
> **We can't afford the status quo so they can have their way. We need leadership that will bring the change that so many have been marching for over the past year.**
>
> Can I count on you to help my son bring that change to Tallahassee?
>
> **Click here to join his campaign today, and help him do the right thing for our neighbors across the state.**
>
> #ThatsMyBoy
>
> - Diane
>
> ---------- Forwarded message ----------
>
>
>
> I spent the day with thousands of fellow Floridians, celebrating the one year anniversary of the Women's March.
>
> **I was inspired by the crowds, their voice, and their passion.**

Empowering women in the age of Trump is an essential part of moving this country forward. But that means moving forward on issues that have long been stalled - equal pay, better education, and a living wage.

In 2018, we have the chance to move these issues forward, and I'm asking for your help in making it happen.
Keep the March Alive! Chip in $5 Today.
If the crowds we saw in St. Petersburg, Miami, and dozens of other cities across this country are any indication, we have the momentum!

Now we need to bring it to Tallahassee.

Sincerely,
Philip

Paid by Philip Levine, Democrat, for Governor

Philip Levine for Governor
960 Alton Road
Miami Beach FL 33139 United States

We're so thankful of your support, and we hope you will take the next step by signing up to volunteer with our campaign. If you would like to be removed from our email list, please click the following link and we will remove you promptly: unsubscribe

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 2/10/2018 5:23:19 PM
To: LHS [redacted]
Subject: Re:

Importance: High

page and strokz

On Sat, Feb 10, 2018 at 12:20 PM, LHS <[redacted]> wrote:
Saw and liked Woody piece. The columnist is Good.

Don't follow your note. What texts

Sent from my iPad

Please direct all scheduling inquiries to my office at:[redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Feb 10, 2018, at 12:18 PM, jeffrey E. <jeevacation@gmail.com> wrote:

The list of officials frequently discussed in the texts who are no longer in their jobs seems to grow by the day. It includes former FBI Director James Comey, who was fired by Trump; former Deputy Director Andrew McCabe; Comey's chief of staff, James Rybicki; FBI General Counsel James Baker; as well as Strzok, who was booted off the special counsel investigation and sent to a job in the FBI's personnel div. laufman and rachel brand. not one surprise if would have heard bannon

On Sat, Feb 10, 2018 at 12:06 PM, LHS <[redacted]> wrote:
Lisa will call.

People are saying resignation of justice Dept number 3 is big deal.

Sent from my iPad

Please direct all scheduling inquiries to my office at:[redacted]

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www.larrysummers.com

On Fri, Feb 9, 2018 at 8:33 AM -0500, "jeffrey E." <jeevacation@gmail.com> wrote:

[redacted]

On Fri, Feb 9, 2018 at 8:32 AM, LHS <[redacted]> wrote:
?? What number r u at?

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Feb 9, 2018, at 6:28 AM, jeffrey E. <jeevacation@gmail.com> wrote:

wow

On Thu, Feb 8, 2018 at 8:52 PM, LHS <[redacted]> wrote:
Goofy corrupt giveaways?

Do tell.

Sent from my iPhone

Please direct all scheduling inquiries to my office at: [redacted]

Follow me on twitter @lhsummers
www.larrysummers.com

On Feb 8, 2018, at 7:16 PM, jeffrey E. <jeevacation@gmail.com> wrote:

this bill has the things you were looking for in the last

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 2/24/2018 12:58:14 PM
To: Steve Bannon [redacted]
Subject: Re: Lawyer for Susan Rice: Obama administration 'justifiably concerned' about sharing intel with Trump team - POLITICO

Importance: High

Yes

On Sat, Feb 24, 2018 at 7:48 AM Steve Bannon <[redacted]> wrote:

> https://www.politico.com/story/2018/02/23/susan-rice-lawyer-obama-administration-classified-intelligence-michael-flynn-trump-423437

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 2/24/2018 1:02:39 PM
To: Steve Bannon[redacted]
Subject: Re: Lawyer for Susan Rice: Obama administration 'justifiably concerned' about sharing intel with Trump team - POLITICO

Importance: High

spent two hours on conference. with her yesterday. the flynn focus was clever

On Sat, Feb 24, 2018 at 7:48 AM, Steve Bannon <[redacted]n> wrote:

https://www.politico.com/story/2018/02/23/susan-rice-lawyer-obama-administration-classified-intelligence-michael-flynn-trump-423437

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From: jeffrey E. [jeevacation@gmail.com]
Sent: 3/24/2018 12:23:00 PM
To: Landon Thomas Jr. [redacted]
Subject: Re:

he feels alone. and is nuts !!! , I told everyone from day one. evil beyond belief. mad, and most thought i was speaking metaphorically. its obvious he could crack. stormy daniels. ? lies after lies aflter lies.

On Sat, Mar 24, 2018 at 8:19 AM, Landon Thomas Jr. <redacted> wrote:

He is scaring the shit out of me now. He could well tank global economy. Can Barrack talk sense to him anymore?

Maybe it's time for you to jump in now. Given how he is throwing caution to wind in such epic fashion, why wouldn't he take your call?

Give it a shot!

Sent from my iPhone

On Mar 24, 2018, at 5:39 PM, jeffrey E. <jeevacation@gmail.com> wrote:

https://www.thedailybeast.com/how-close-is-donald-trump-to-a-psychiatric-breakdown?ref=home

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